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2002

Annual Report

*World-Class Assets
In Our Own Backyard*

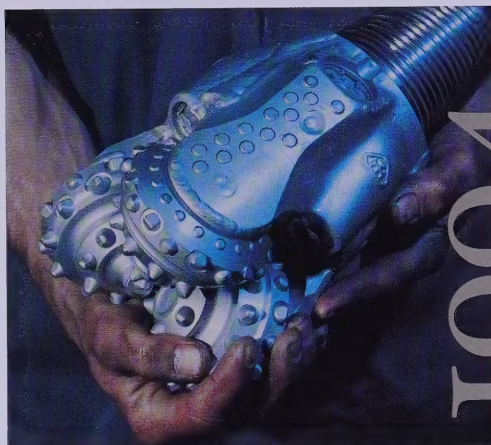
Penn West Petroleum Ltd.

Reviewing a Decade of Growth

Over the past 10 years, Penn West has generated sustained growth in production, reserves, cash flow, net income and shareholder value. This performance reflects Penn West's adherence to a business model based on proven operating principles, combined with an ability to evolve the Company's business plan as Penn West grows and matures.

Penn West's important milestones include:

1992 – Production averages 1,600 boe per day and the Company is struggling under a large debt load. Towards the end of the year, a new board of directors and management team takes control of Penn West.



1993 – The new team adds producing properties and exploration prospects. A new capital program succeeds in more than doubling production and reserves. Penn West generates positive earnings, an accomplishment repeated in each of the next nine years.

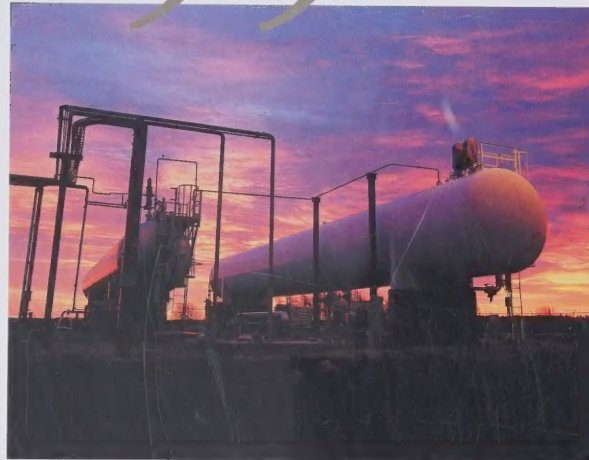
1994 – A large acquisition from an integrated producer transforms Penn West into a large junior and creates new opportunities for growth. Penn West becomes active in many of its current operating areas.



1992

1998

1995 – A natural gas discovery well in the Devonian Jean Marie formation at Wildboy proves Penn West has what it takes to succeed at full cycle exploration. Acquisition of the Minnehik-Buck Lake natural gas plant adds an important facility in the Central Area. A major corporate acquisition is also completed. The key elements of Penn West's growth model are now in operation – natural gas growth through the drillbit and oil growth by acquisition and development.



1997 – Significant growth in natural gas is achieved through the drillbit. Work begins to bring the Wildboy discovery on production with a new gas plant and a Company owned sales pipeline.

1998 – World oil prices plunge below US\$12.00 per barrel, but Penn West achieves positive cash flow and earnings. Penn West takes advantage of the cyclical low in commodity prices to conduct acquisitions. Production tops 40,000 boe per day.

1999 – Penn West conducts its largest ever acquisition, spending \$513 million for a property package that includes long life, low decline reserves in the Central Area with upside potential from enhanced oil recovery. Penn West accelerates its full cycle exploration and development program with the drilling of nearly 200 net wells.

1996 – Penn West focuses on exploiting its large asset base. Production increases to more than 30,000 boe per day. The year's drilling count exceeds 100 wells for the first time. Penn West becomes an intermediate producer.

2000



2002 – Penn West completes its first decade of operations under the new board of directors and management team. Production exceeds 100,000 boe per day for the first time in the Company's history. A second EOR project is acquired at South Swan Hills and work on CO₂ miscible flooding continues. A fifth expansion phase is completed at Wildboy bringing production to 80 mmcf per day.



2000 – Net income rises to more than \$220 million from less than \$80 million in 1999. Production averages more than 83,000 boe per day and natural gas production exceeds 300 mmcf per day for the first time. Natural gas prices average \$4.70 per mcf, more than double the average price over the previous three years.

2001 – Numerous firsts are achieved as Penn West increases its focus on new technology and enhanced recovery, and initiates a coalbed methane project. An existing carbon dioxide miscible flood project is acquired at Joffre.



1992	15,831
1993	3,920
1994	16,634
1995	26,810
1996	32,983
1997	40,071
1998	44,625
1999	61,629
2000	83,495
2001	93,934
2002	99,483

Average Daily Production
(boe/day at 6:1)

Outlook

Looking Forward

Penn West has assembled world-class assets in our own backyard – the Western Canadian Sedimentary Basin. When combined with Penn West's financial strength and proven business model, these assets are capable of powering the Company's growth for the foreseeable future.

Northern Natural Gas

A large undeveloped land base of more than two million net acres in our Northern Core Area and proven operating expertise means continued growth in high netback, low operating cost natural gas volumes.

Central Alberta Oil & Natural Gas

Area dominance, the control of facilities and the application of technologies such as enhanced oil recovery are key elements in Penn West's plans for the Central Area. The Central Area has the potential to generate hundreds of millions of barrels in incremental oil reserves. The region will also produce substantial volumes of natural gas from multi-zone prospects.

Plains Conventional Heavy Oil & Shallow Natural Gas

Large landholdings and an understanding of the technical and economic criteria for success will enable Penn West to continue generating value at low cost and low risk from the conventional heavy oil and shallow natural gas pools of the Plains Core Area.

Acquisitions

Thorough evaluations, proven management discipline and financial strength will generate further opportunities to add value through selective acquisitions.

CO₂ Miscible Flood

Penn West is one of two Canadian industry leaders in the commercialization of carbon dioxide enhanced oil recovery. Carbon dioxide miscible floods have the potential to increase reserves and to help Canada reduce greenhouse gas emissions.

Coalbed Methane

Penn West is one of several Alberta producers working to achieve commercial scale production from untapped coalbed methane potential.

Letter

To Our Shareholders

In the second half of 2002, Penn West surpassed production of 100,000 barrels of oil equivalent per day. This milestone was reached in Penn West's tenth year of operations under the current board of directors and management team, and under a business plan that has delivered year-over-year growth and excellent financial results. Penn West has generated compound annual production growth of 32 percent on a per share basis over the past 10 years. We have been profitable in every year since 1992. Our growth has been attained with low costs, reasonable levels of indebtedness and with minimal dilution of shareholders' equity.

Even more important than the Company's record to date is its positioning for the future. We are confident that our business plan and our asset base represent a platform for continued growth for both the short and long term. These assets are fully capable of powering the growth of a senior producer. In short, Penn West has been laying the foundation for a second decade of growth.

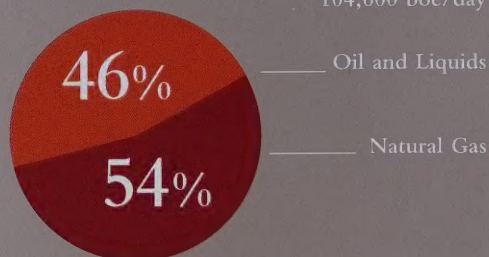
How Penn West Creates Value

Penn West focuses on three main commodity/play types within its core operating areas. These are:

- Internally generated natural gas prospects. Penn West has achieved excellent results from grassroots exploration and development in Northern Alberta and Northeastern British Columbia. Penn West's combined production was weighted 54 percent to natural gas at the end of 2002. At our Wildboy property, Penn West has created the equivalent of an intermediate producer out of raw land. Wildboy is currently undergoing its sixth consecutive expansion phase to increase production to more than 100 mmcf per day. With 2 million net acres of land in the Northern Core Area alone, Penn West has an asset base that will support many years of exploration, development and growth in natural gas production.
- High quality light oil. Penn West's formula of high working interests, local dominance, control over area infrastructure and the application of technology is yielding many opportunities to increase the recovery of oil from some of Penn West's established oil pools. Penn West has become a dominant operator within the Pembina Cardium field, the largest conventional light oil reservoir ever discovered in Canada. In 2002, we continued to work towards realizing Pembina's potential for

We have been *profitable in every year* since 1992. Our growth has been attained with **LOW COSTS, REASONABLE LEVELS OF INDEBTEDNESS** and with **MINIMAL DILUTION OF SHAREHOLDERS' EQUITY**.

2002 Exit Production Rate
104,600 boe/day



adding millions of barrels of incremental reserves through more intensive secondary recovery and, over the longer term, tertiary recovery. In 2002, Penn West acquired a major new property at South Swan Hills that has significant potential for additional tertiary oil recovery.

- Conventional heavy oil and low cost shallow natural gas. Penn West's large land base in the Plains Core Area, on the prairies of East-central Alberta and Southern Saskatchewan, is a major generator of low risk, low cost and profitable conventional heavy oil. Further acquisitions in 2002 enabled Penn West to increase its position and create upside development potential. This area is also a significant producer of shallow natural gas, where Penn West is able to increase production quickly in response to favourable commodity price movements.

Penn West has also taken meaningful steps to position itself at the forefront of two important trends:

- Unlocking Alberta's coalbed methane potential – Penn West has an experimental coalbed methane project underway in the Central Core Area.

- Commercializing the use of carbon dioxide to improve oil production and reduce greenhouse gas emissions – Penn West is the operator of Alberta's only carbon dioxide enhanced oil recovery miscible flood at Joffre. This project adds to Penn West's oil production, sequesters a significant amount of carbon dioxide emissions, and has long term potential for technology transfer to much larger projects.

2002 Performance

Penn West's 2002 financial and operating results included new records for liquids and natural gas production.

- Average production was 99,500 boe per day, in line with our target range for the year. Production consisted of 44,000 barrels per day of oil and natural gas liquids and 333 million cubic feet per day of natural gas. Daily production increased to 1.87 boe per thousand common shares outstanding;
- Production of oil and natural gas liquids grew by 13 percent over 2001, while production of natural gas was up by 1 percent;



“Penn West is the operator of Alberta's
only carbon dioxide
enhanced oil recovery

MISCIBLE FLOOD at Joffre.”

- Drilling program of 335 net wells in 2002 on exploration and development spending of \$343 million;
- Proven reserve additions totalling 37.8 million barrels of oil and natural gas liquids and 69.2 billion cubic feet of natural gas. Additions represented 136 percent of overall production for the year, and increased Penn West's year end proven reserves per common share outstanding to 6.71 boe;
- Cash flow of \$464 million (\$8.70 per share), a decrease of 24 percent from 2001 due mainly to lower natural gas prices;
- Net income of \$158 million (\$2.98 per share), a decrease of 35 percent from 2001;
- Property acquisitions valued at \$230 million, creating new opportunities for enhanced oil recovery and economies of scale in our Central Area and strengthening Penn West's position in conventional heavy oil;
- Operating costs averaged \$5.81 per boe of production;
- General and administrative costs averaged \$0.28 per boe of production;
- Continued financial discipline, with year end debt of \$598 million and a debt-to-trailing cash flow ratio of 1.3:1; and
- Return on shareholders' equity of 13 percent.

The Western Canadian Sedimentary Basin ("the Basin") Business Environment

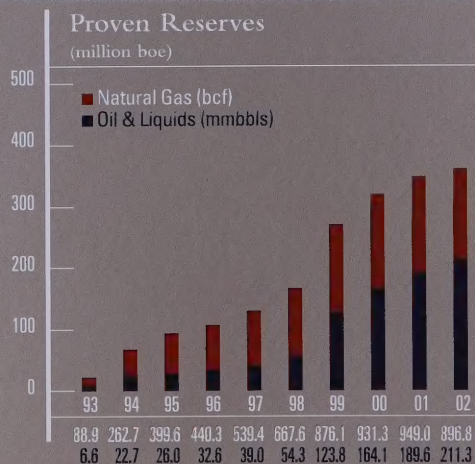
The business environment in Western Canada has seen two major strategic developments in the past few years. First, control of a significant percentage of industry assets has passed to subsidiaries of U.S. producers, even as the integrated multi-nationals have continued to withdraw from conventional activity. Second, many in the intermediate producer class (along with many juniors) have converted into royalty income trusts, accounting for a further substantial proportion of Basin assets.

These developments are relevant to Penn West. While Penn West evaluates projects within the Basin, the U.S. companies evaluate the Basin within the context of the world. This creates potential for the resale of Canadian assets, representing a growth opportunity for Penn West through further cost effective acquisitions of properties that fit our development model.

"Production of oil and natural gas liquids

grew by 13 percent over 2001.

Reserve additions represented 136 percent of overall production for the year, and INCREASED Penn West's year end proven reserves per common share outstanding to 6.71 boe."

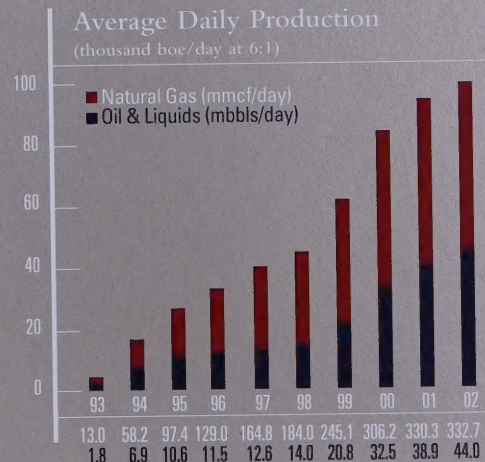


The income trusts' principal operating goal is to maximize distributions to unitholders, thus they conduct very little exploration drilling. This bodes well for the remaining active exploration drillers. It represents a growth opportunity for Penn West through reduced competition for exploration plays. Prices for undeveloped land moderated during the year and, as a result, Penn West maintained an active land acquisition program in 2002.

The natural gas supply/demand situation in North America appears to be improving. Natural gas prices have recovered from lows in 2001 and early 2002, and demand is growing. There appears to have been a long term step-up in natural gas prices from the \$1-\$2 per mcf range through most of the 90s to the \$3-\$4 per mcf range, and perhaps even higher as we go forward. Higher price levels are needed to support the more vigorous levels of exploration and development that will be required to maintain natural gas deliverability in North America.

The terrorist attack of September 11, 2001 triggered serious concern about a widespread disruption of world financial markets. Penn West reduced its capital expenditures going into 2002 in response to this general economic uncertainty, the resulting weaker natural gas prices, and sharply lower oil prices. Going into 2003, our perceptions are more positive. Commodity prices have strengthened considerably and Penn West has reacted accordingly with an expanded drilling program in 2003.

Complementing this, we believe the U.S. Administration will maintain an energy policy focused on security of supply. With forecasts for continued growth in consumption, one practical alternative is to increase oil imports from within the Western Hemisphere, including Canada. The growing interest in cleaner burning fuels and for natural gas to generate electricity has increased overall natural gas demand. North American deliverability of natural gas is being challenged to meet these growing demands and the equilibrium price for natural gas has been rising, reflecting these dynamics. Penn West's world-class assets and strong balance sheet provide significant opportunities in this environment.



Penn West is well positioned to benefit from these trends. Canada's supplies of high quality light oil, of which Penn West is a major producer, should continue to command a premium price. Penn West controls significant fields of underdeveloped light oil, with many years of remaining development potential. Penn West's natural gas production is on a long term growth trend even as Alberta's overall deliverability has levelled out. Longer term forecasts suggest that Western Canada will continue to supply a large share of North America's natural gas consumption. And heavy oil, where Penn West has a substantial position, is supplying an ever increasing proportion of Canada's crude production, and is North America's most visible source for adding significant volumes of oil production.

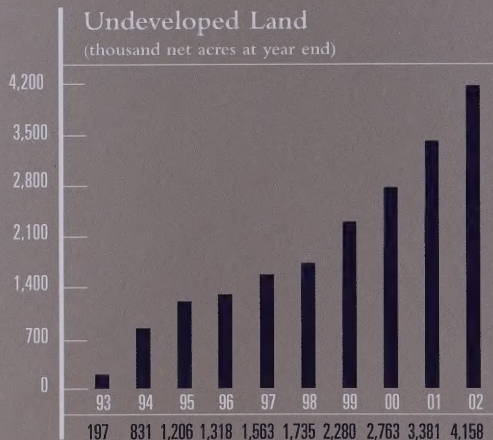
2003 Development Plan

For the past decade, Penn West has maintained a significant weighting to natural gas production. In 2002, Penn West focused on growing its oil assets in response to low natural gas prices and in accordance with the Company's reduced capital budget. For 2003, we have renewed our focus on natural gas.

We are in the midst of a record winter drilling program in the first quarter of 2003 as we tap our natural gas growth opportunities in our Northern Area. Through the remainder of 2003, we will proceed with other important projects, including conventional heavy oil, low risk shallow gas, enhanced oil recovery and coalbed methane.

Penn West's budget for 2003 is now based on commodity prices of US\$27.00 per barrel of WTI crude oil, US\$4.95 per mmbtu of NYMEX natural gas and an average corporate natural gas sales price of \$6.00 per mcf at the plantgate. With this price outlook, Penn West has budgeted capital expenditures of \$550-\$650 million, to be financed through internally generated cash flow.

This budget will fund drilling of 500-600 net wells. In addition, a modest amount of growth will be achieved through acquisitions, within the base budget, and we will remain alert to opportunities for cost effective acquisitions exceeding our planned expenditures. Penn West's average production will increase to a forecast range of 104,000-109,000 boe per day. Based on these estimates, Penn West will generate 2003 cash flow of \$670-\$710 million (\$12.30-\$13.10 per share).



Long Term Potential

Penn West has built a platform for continued growth. We have a land position that has grown to more than 4 million net acres of undeveloped land. We have built an experienced technical team, and have a detailed understanding of exploration and development in many of the key areas within Western Canada. We have practiced financial discipline over the past decade, and we will maintain a strong balance sheet going forward.

Penn West has a demonstrated ability to evaluate prospective new properties, to acquire or explore cost effectively, to integrate new properties into our existing operations, and to add long term value through cost effective development and innovation. We are one of the few Canadian producers to have installed a cogeneration facility. We are also one of a small group of Canadian producers with an active program to begin unlocking Alberta's vast coalbed methane potential. And we are one of the Canadian industry leaders in the commercialization of carbon dioxide enhanced oil recovery, which has tremendous long term potential.

We believe that our growing set of skills is transferable to new areas. For these reasons, we remain confident in Penn West's ability to succeed in a competitive environment.

None of Penn West's positive results would be possible without the efforts of a dedicated, proficient and enthusiastic team. Our thanks go out to each and every one of you. Corporate governance is an increasingly important business issue throughout North America, and Penn West is fortunate to have an experienced Board of Directors, whom we thank for their independent judgement on behalf of our shareholders. Together we will continue to create value out of Penn West's world-class assets.

On behalf of the Board of Directors,



N. Murray Edwards
Chairman

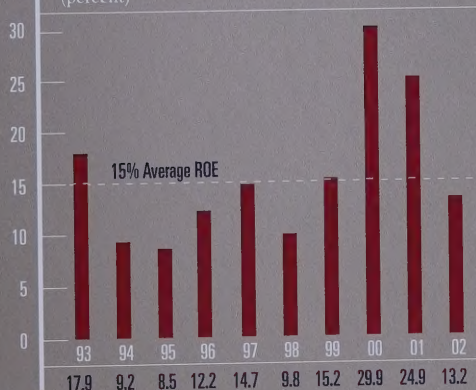


William E. Andrew
President

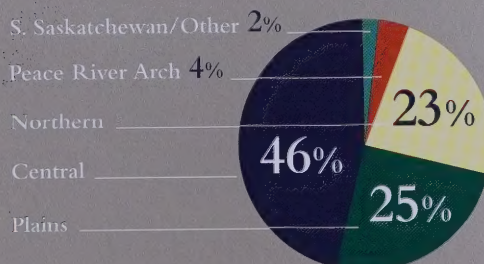
Calgary, Alberta
March 20, 2003

After Tax Return on Equity

(percent)



2002 Exit Production by Core Area

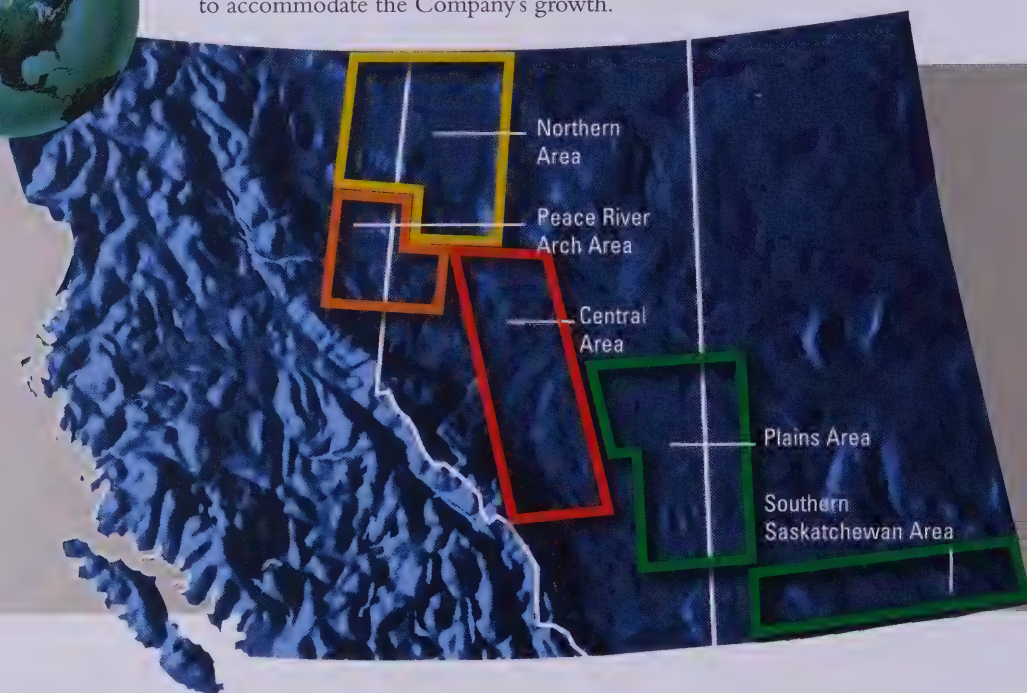


Review of Operations

Core Areas Overview



Penn West currently operates in five core areas ranging from Southern Saskatchewan to a region bordering on the Northwest Territories. Over the past decade, Penn West has expanded these core areas to ensure that a significant prospect inventory is available to accommodate the Company's growth.



Northern Area

This region has been Penn West's primary source of growth in natural gas production. The Northern Area produced 142 mmcf per day at the end of 2002, representing 42 percent of Penn West's natural gas volumes. A land base of 2.1 million net acres contains a prospect inventory that will power years of further growth in natural gas production and reserves.

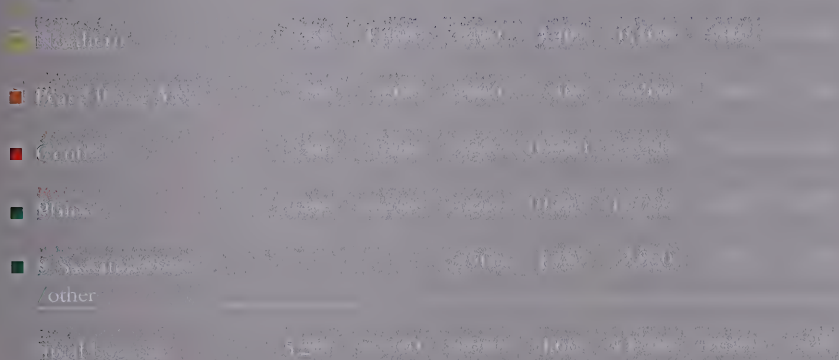
Peace River Arch Area

This region straddles the Alberta-British Columbia border and offers multi-zone oil and natural gas potential. Targets in the area range from shallow Cretaceous pools to deeper and more prolific Slave Point targets. The Peace River Arch core area accounted for approximately 4 percent of Penn West's total production in 2002.

Central Area

This area contains a stable, low decline rate base of light oil production and is also a significant source of multi-zone natural gas production. The Company is a major consolidator of assets in the area, and Penn West has accumulated a significant holding of long life Cardium oil reserves. The Central Area contains the Company's coalbed methane and carbon dioxide miscible flood projects.

Year End Production (Barrels of Oil Equivalent)



Plains Area

A balance of conventional heavy oil assets and shallow natural gas-prone lands creates an environment conducive to low cost, low risk exploration and development opportunities. The Plains Area accounted for approximately 32 percent of Penn West's oil production and 21 percent of the Company's natural gas production in 2002.

Southern Saskatchewan Area

Penn West's smallest core area accounted for 2 percent of corporate production in 2002. Penn West acquired an additional 1,200 barrels per day of conventional heavy oil production in Southern Saskatchewan during the second half of 2002.

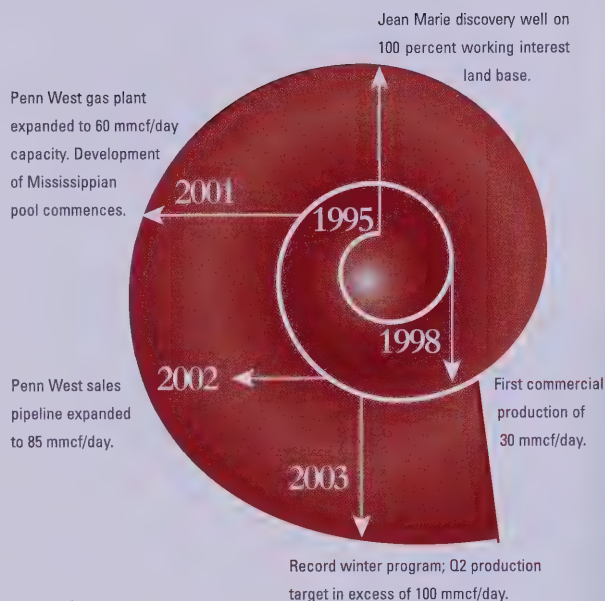
Wildboy, B.C.

Northern Core Area

Wildboy is Penn West's largest and most prospective natural gas play. The area's extensive land base and prospects have enabled Penn West to conduct five successful expansion programs. A sixth expansion is underway and is expected to increase natural gas production to more than 100 mmcf per day.

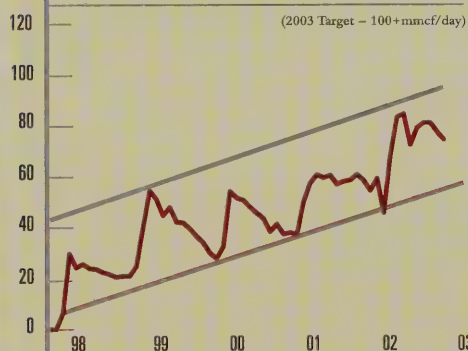
The Company has a 100 percent working interest in the land, gas plant and sales pipeline.

Wildboy has yielded cumulative production of 83 bcf to year end 2002. The Company's 2003 drilling program of 49 net wells includes 11 vertical exploration wells, 14 horizontal wells in the Jean Marie trend, 1 deep Slave Point test, and 23 Debolt development wells. Penn West will also expand the natural gas processing facilities to a capacity of 110 mmcf per day.



Wildboy Production History

Growth through exploration and development
(natural gas production – mmcf/day)

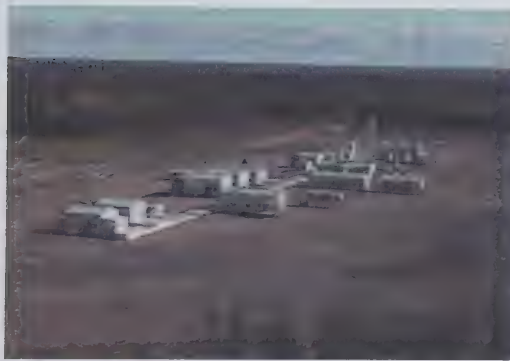


The map to the left illustrates the extent of Penn West's land holdings in the Wildboy area. The highlighted development area makes up a relatively small proportion of total lands, indicating the potential for many more years of exploration and development activity. Total Wildboy land holdings cover an area of approximately 750 square miles.

Boyer Group, AB

Northern Core Area

Penn West's Boyer Group of properties in Northern Alberta provide the opportunity to generate repeatable plays that yield growth in production and reserves. Penn West is now one of the area's most experienced operators. The Company's technical team is able to identify, acquire, drill and develop prospects



Boyer Area: Photo of a natural gas plant

with favourable economics. This track record, plus Penn West's control of area facilities and extensive base of undeveloped land, provides the Company with a significant competitive advantage. Growth in natural gas supply has slowed considerably across North America over the past several years. Penn West has a dominant position at Boyer in one of the more promising areas for natural gas growth.

The strength in natural gas pricing caused Penn West to scale up its activity at Boyer in 2003. The Company plans to drill a total of 120 wells including 30 exploration wells, with several deep Slave Point tests.

At the end of 2002, the Boyer Group averaged 64 mmcf per day of natural gas production from Bluesky, Gething, Banff and Shunda pools. Recent focus areas at Boyer include Hotchkiss, Vista Creek and Dryden.



Alberta contains some very large accumulations of coalbed methane. Penn West is one of a small number of industry participants actively pursuing coalbed methane. Penn West's Central Area meets the three main criteria for a viable coalbed methane (CBM) program:

- A defined reservoir. Many of Penn West's Central Area lands include Ardley formation coal seams. These are methane-rich deposits with favourable geological characteristics lying at 300-550 metres;
- A large land base in contiguous blocks. Individual CBM wells can be low in productivity (typically 50-120 mcf per day with very low decline rates). Penn West's Central Area contains approximately 400 sections of prospective lands, creating the needed scale for economically viable CBM development; and

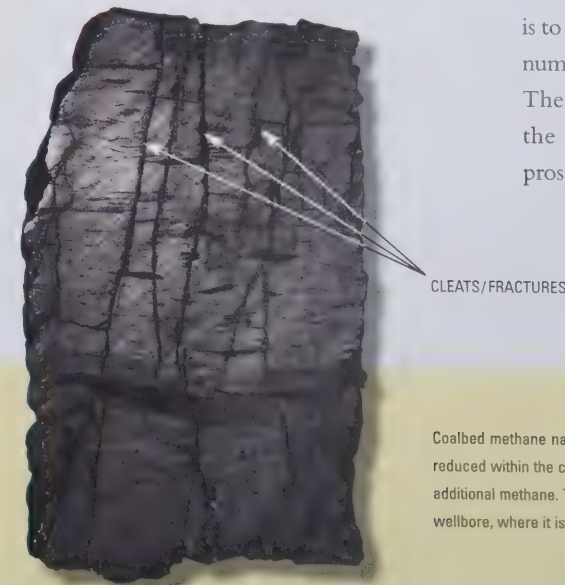
Coalbed Methane

Central Core Area

- An existing water handling infrastructure. CBM reservoirs can produce water but CBM economics often cannot support the capital costs of dewatering equipment. Penn West's existing crude oil waterfloods have a ready made water handling infrastructure, with the added benefit that produced water from CBM wells can serve as injection water for the waterfloods, decreasing our reliance on surface water.

Penn West is taking a measured approach to CBM development. In 2002, Penn West drilled four CBM wells and recompleted several existing wellbores in the Ardley formation. Two of these wells will be tied in, making Penn West one of a very small number of Canadian producers to have commercial CBM production. Penn West's program was recently expanded to the Crystal and Three Hills areas.

It is too early to attempt to quantify Penn West's CBM production or reserves potential. A key goal is to develop the technical expertise to drill a large number of successful wells at consistently low costs. The strong outlook for natural gas pricing over the medium to long term has improved the prospects for profitable CBM development.



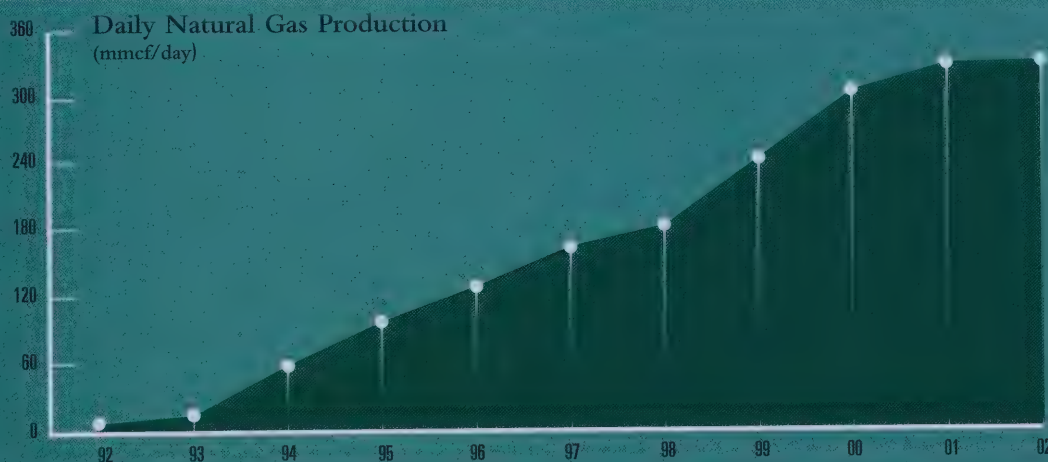
Coalbed methane natural gas is initially trapped within the coalbed itself. As pressure is reduced within the cleats/fractures by production of water and methane, the coal releases additional methane. This released methane then flows through the cleats/fractures to the wellbore, where it is brought to the surface along with any produced water.

Natural Gas

Overview

Penn West has been a natural gas weighted producer for the past 10 years, growing production more than fifty fold from 6 mmcf per day in 1992 to 333 mmcf per day in 2002. Penn West's natural gas

of the Company's overall production. Capital expenditures in 2002 for natural gas were reduced from 2001 levels in response to lower commodity prices. Even at this reduced level, Penn West's



growth has been generated from exploration and development, complemented by acquisitions focused on strategic assets. As the Company matures, it is funding carefully selected deeper exploratory tests in addition to an ongoing program of shallow to medium depth drilling.

Penn West's natural gas plays fall into five main categories: shallow and medium depth pools in the Northern Area; multi-zone pools in the Central Area; shallow pools in the Plains Area; coalbed methane; and deep tests on an opportunity basis. Most of Penn West's natural gas reserves are processed through Company owned facilities for increased cost control.

In 2002, Penn West's natural gas production averaged 333 mmcf per day, representing 56 percent

natural gas exploration and development program was one of the Basin's most active. Proven plus probable natural gas reserves at year end totalled 1.01 trillion cubic feet.

In response to strengthening natural gas prices, Penn West's 2003 exploration and development capital expenditures are weighted towards natural gas.

The Company is currently conducting a record winter drilling program in its Northern Area. A total of 170 to 190 natural gas wells are planned for 2003.

Penn West's Northern Area land base of 2.1 million net acres amounts to approximately 3,300 sections of land that will support many years of future drilling activity.

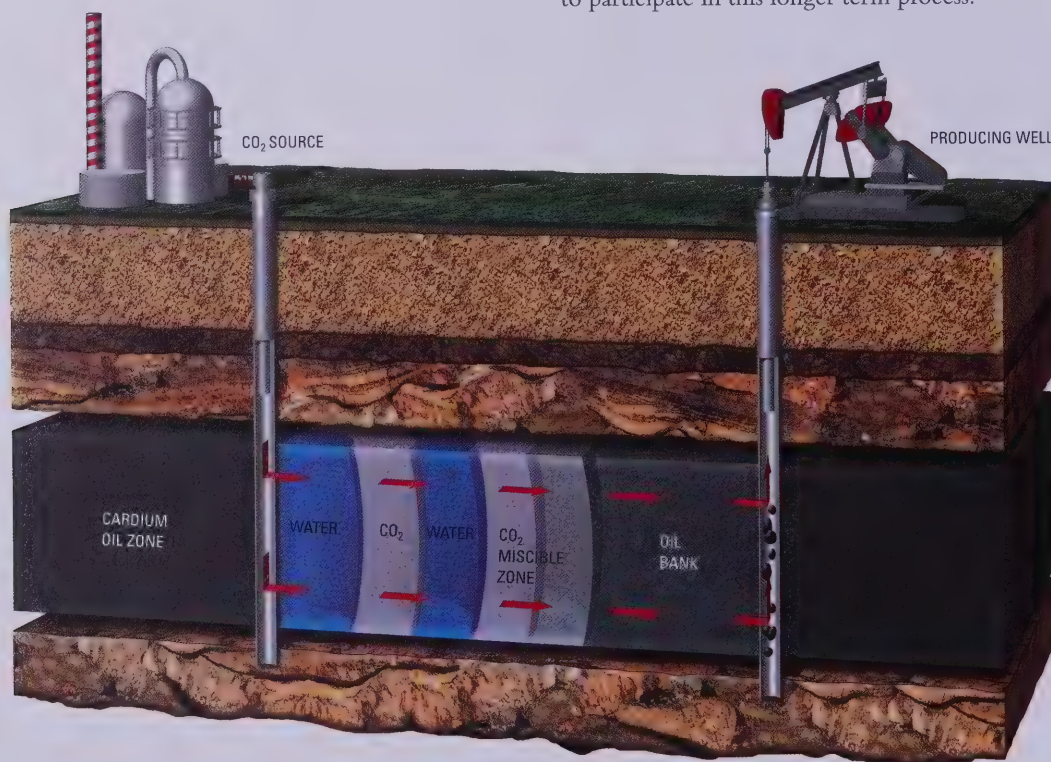
Enhanced Oil Recovery & Technologies

Enhanced oil recovery (EOR) aims to increase oil production and reserves from producing oil pools. EOR projects can entail higher than average operating costs, but can also yield incremental reserves at very low finding and development costs, creating favourable economics.

Carbon dioxide (CO₂) miscible flooding is one form of enhanced oil recovery. This technology has the added benefit of disposing of CO₂ greenhouse gas where the CO₂ is used to push oil out of the reservoir and, ultimately, the CO₂ is left behind in the reservoir in place of the produced crude oil. There are more

than 40 CO₂ miscible flood projects underway in the U.S., but only two in Western Canada. Carbon dioxide miscible flooding is potentially superior to hydrocarbon miscible floods that use valuable commodities such as ethane and propane. CO₂ miscible flooding could also help Alberta based companies materially reduce their greenhouse gas emissions.

Both the federal and provincial governments are studying changes to existing fiscal regimes to encourage the needed capital investment in a CO₂ infrastructure. Penn West's existing EOR projects, plus its inventory of prospects, position the Company to participate in this longer term process.



Water and CO₂ are alternately injected to increase pressure and improve sweep of a known reservoir. This technique, which Penn West currently employs at its Joffre project, aims to generate incremental reserves and production, extending the productive life of the reservoir, as well as sequester greenhouse gases that help reduce CO₂ emissions.

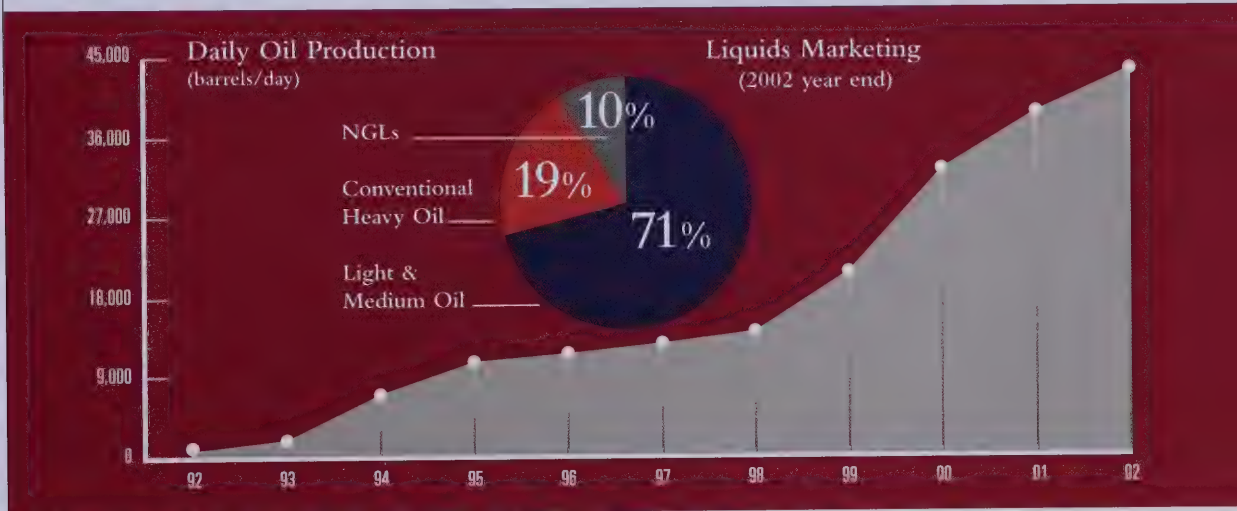
Light Oil

Overview

In spite of a strengthening price environment, light oil production is on a long term decline trend in the Western Canadian Sedimentary Basin. This, however, does not mean an absence of opportunities. The steady withdrawal by the multi-national integrated producers that historically dominated the Basin's conventional oil assets has created major opportunities for consolidation, efficiency gains, enhanced oil recovery and carefully selected exploration.

by applying new production technologies to produce additional barrels. The technologies range from more traditional waterflooding enhancements to relatively new techniques such as CO₂ miscible flooding.

At the end of 2002, Penn West produced an average of 33,000 barrels per day of light oil, representing 32 percent of the Company's combined production. Typically, this production has very low decline rates



Much of Penn West's acquisition budget since 1999 has been directed to the purchase of light oil in the Central Core Area. These acquisitions have targeted established reservoirs containing premium priced light oil. Many of these reservoirs were discovered decades ago, and the resource base has been well defined. Penn West has identified opportunities to increase production and reserves

(often below 10 percent per year), meaning that these pools will continue to produce for decades to come.

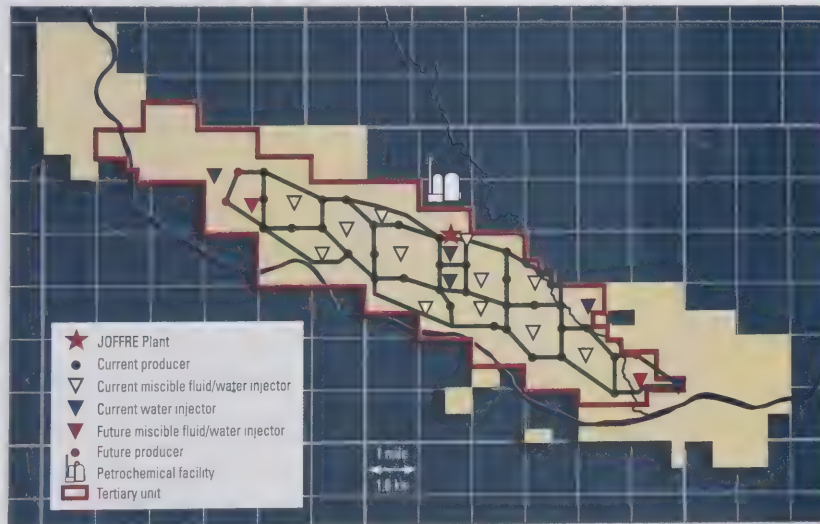
Continued development of these pools through enhanced oil recovery carries very little exploration risk and has the potential to yield large scale new reserves by increasing the recovery factor of the original oil in place.

Joffre, AB Central Core Area

The Joffre Viking Tertiary Oil Unit is the only commercial carbon dioxide miscible flood operating in Alberta and is one of only two operating in Canada. It produces approximately 700 barrels per day of light crude oil from the Viking formation at an average depth of 1,500 metres. The Unit, that began production in the 1950s, was brought under tertiary recovery in 1984 and has produced 40 percent of the original oil in place (OOIP).

This project receives carbon dioxide from a petrochemical facility at Joffre. The carbon dioxide is injected into the reservoir in sequence with water, and any produced water and CO₂ are then re-injected. Injection volumes in 2002 averaged a net 2-3 million cubic feet per day of CO₂, or about 48,000 tonnes for the year.

The project currently has 13 CO₂/water injection/production patterns and Penn West plans to increase this to 15 patterns in 2003. We believe there is strong potential to transfer this operating model to other Penn West properties, particularly in the vastly larger Pembina Cadium field.



South Swan Hills, AB Central Core Area

The South Swan Hills acquisition in 2002 is part of Penn West's program to accumulate assets amenable to enhanced oil recovery. South Swan Hills employs a combination of water and hydrocarbon solvent injection to increase the recovery factor of the OOIP.

In 2003, Penn West plans to install two new hydrocarbon miscible flood patterns. Over the medium term, Penn West hopes to transfer this operating model to East Swan Hills, a property that is geologically similar but is not currently under enhanced oil recovery. Over the longer term, both properties may be candidates for conversion to CO₂ miscible flooding.

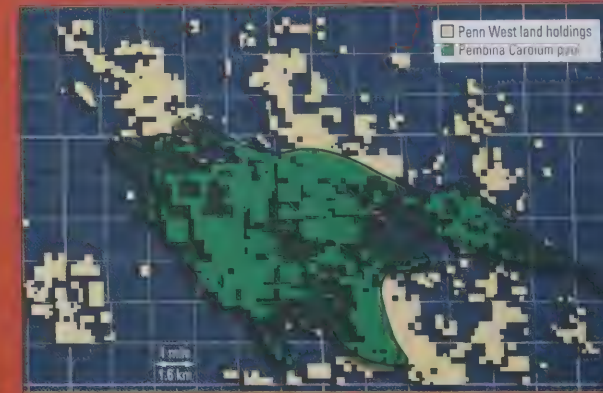
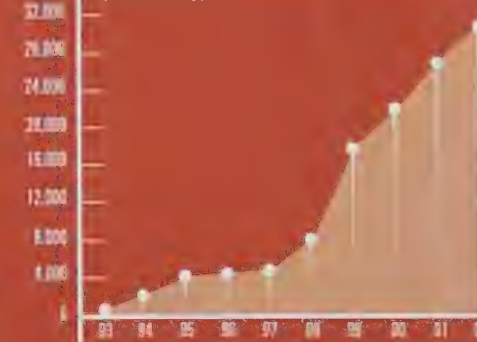
Pembina, AB Central Core Area

The Pembina area is another example of Penn West's focus on light oil with significant enhanced oil recovery potential. The Pembina Cadium field is the largest conventional oil reservoir in Canada. Penn West now controls pool areas covering in excess of two billion barrels of OOIP, including production infrastructure covering 750 square miles.

decline and is intended to increase the average recovery factor, yielding a potential 100 to 200 million barrels of incremental reserves at an average development cost of \$8 to \$10 per boe.

Penn West believes that the Pembina Cadium pool is an excellent candidate for CO₂ miscible flooding, using techniques refined at the Company's Joffre project. CO₂ miscible flooding could raise the

Central Area Liquids Production
(barrels/day)



Discovered in 1953, the Pembina Cadium pool has produced only about one-fifth of its OOIP. Current optimization initiatives are aimed at further increasing the recovery factor.

Going forward, Penn West plans a more intensive secondary recovery program that includes infill drilling, improving water injection to maintain pressure, and stimulations to increase productivity. This program is aimed at slowing the pool's

recovery factor further, generating an incremental 100 to 200 million barrels of reserves.

Accessing CO₂ supply will be a key issue. The Pembina field comes within 60 kilometres of Edmonton, Alberta, a refining, petro-chemicals and pipeline hub that is a large potential source of CO₂. The process of creating a commercial CO₂ distribution infrastructure is, however, at an early stage.

Conventional Heavy Oil & Shallow Natural Gas

Plains Area

Conventional heavy oil in Penn West's Plains Area and in Southern Saskatchewan represents 9 percent of the Company's total production. Conventional heavy oil exploration and development provides significant opportunities for low risk, low cost drilling. Penn West's heavy oil is relatively light, averaging 16° API. This oil is produced by conventional means and does not require techniques that utilize high cost thermal energy.

During 2002, Penn West drilled approximately 200 wells in the Plains Core Area, of which 40 percent were heavy oil wells and the balance were shallow natural gas wells.

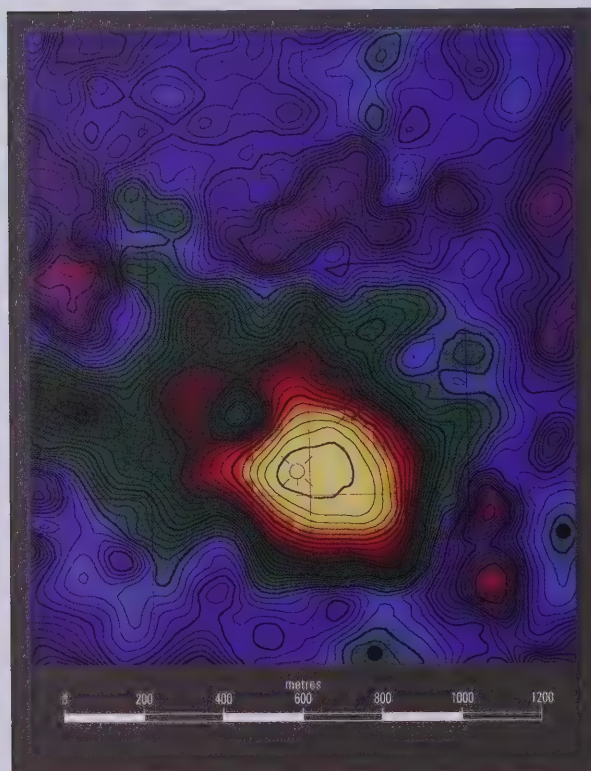
In 2002, Penn West also completed an acquisition of producing properties and undeveloped lands south of the Company's existing properties. The acquired properties hold reserves averaging 20° API. Penn West sees significant upside potential through optimization, waterflooding and drilling to further extend the pool boundaries.

Following an active seismic program in 2002 that took advantage of reduced prices and included six separate 3-D shoots, Penn West plans to drill another 225-275 wells in the Plains Area in 2003. Approximately 65 percent will be heavy oil wells in the Lower Mannville, Bakken and Sparky formations. Waterflooding will be a major focus for oil recovery optimization.

The balance of wells in the 2003 program will be shallow gas wells. Penn West plans to drill a small number of set up wells over each new natural gas prospect, reserving intensive development drilling for periods of high prices. Two such programs were set up in 2002, and Penn West plans to develop them under the current strong price environment.

The Plains Area will support years of further exploration, development, optimization and enhanced recovery. Penn West has maintained a large inventory of drillable prospects and many of the Company's heavy oil pools have yet to begin secondary recovery.

The map is a 3-D seismic image illustrating a typical Bakken salt collapse structure. The top, or "high" part of the structure is represented in the light yellow and the flanking "lows" are the darker blues and purples.



Operating Statistical Overview

1. Capital Expenditures

(\$ millions)

	2002	2001	2000
Net property acquisitions	\$ 230.3	\$ 233.0	\$ 206.0
Land acquisition and retention	42.5	43.2	27.3
Drilling and completions	149.3	201.7	149.8
Facilities and well equipping	134.2	134.3	144.5
Geological and geophysical	15.6	19.9	11.5
Other	1.4	1.4	2.8
Capital expenditures	\$ 573.3	\$ 633.5	\$ 541.9

In response to lower commodity prices and a marked dip in natural gas prices, Penn West's 2002 capital program was slightly smaller than the previous year's and was focused on building the Company's volumes of crude oil. The Company's capital spending of \$573 million was sufficient to generate continued growth in production and to replace reserves.

Acquisitions

The Company continued its successful, multi-year program of consolidating high-quality light oil producing assets in its Central Area. Acquisitions totalled \$230 million in 2002. The most significant of these was South Swan Hills, Penn West's second enhanced oil recovery project, which produces approximately 5,300 boe per day.

The balance of acquisition expenditures comprised the acquisition of heavy oil assets, encompassing half a dozen properties in Southern Saskatchewan and the Plains Area.

These acquisitions followed Penn West's proven formula of achieving local dominance to create operating flexibility, reduce unit costs and maximize upside potential. Going forward, Penn West's strong balance sheet will enable the Company to fund further acquisitions that take advantage of the continuing consolidation in the Basin.

Land

The downturn in natural gas prices and reduced industry field activity had a positive impact on prices for undeveloped land in 2002. Penn West purchased significant amounts of undeveloped land in all core areas throughout the year, including major blocks covering new exploration prospects. Land acquisitions were weighted towards natural gas prospective areas, in keeping with Penn West's philosophy of growing natural gas production by drilling internally generated prospects. These acquisitions brought Penn West's base of undeveloped land to 4.2 million net acres at year end 2002, an increase of 23 percent over year end 2001.

2. Undeveloped Land Base

(000s of acres at year end)

	2002	2001	2000
Gross acres	4,402	3,672	3,030
Net acres	4,158	3,381	2,763
Average working interest (%)	94	92	91

3. Drilling Results

	2002		2001		2000	
	Gross	Net	Gross	Net	Gross	Net
Natural gas	209	197	274	237	228	203
Oil	112	96	118	97	129	94
Dry	44	42	61	57	48	44
Total wells	365	335	453	391	405	341
Average working interest (%)		92		86		84
Success rate (%)		87		85		87

4. Finding and Onstream Costs (6:1)

	2002		2001		2000	
Capital expenditures (\$ millions, net)	\$	573.3	\$	633.5	\$	541.9
Net proven reserve additions (mmboe)		49.3		62.6		80.1
Average cost (\$/boe)	\$	11.63	\$	10.12	\$	6.76
Net proven and probable reserve additions (mmboe)		46.3		65.8		91.7
Average cost (\$/boe)	\$	12.38	\$	9.64	\$	5.91

Summary of Reserves

Penn West's 2002 capital program was successful in generating new reserves of oil and natural gas. Penn West's reserves were evaluated by independent, third party engineers. Major properties representing 88 percent of the Company's total proven plus probable reserves were evaluated by either McDaniel & Associates Consultants Ltd. or Gilbert Laustsen Jung Associates Ltd. The balance of approximately 12 percent of proven plus probable reserves were evaluated by the Company in conjunction with an independent third party, Resources West Inc.

At year end 2002, Penn West's proven plus probable reserves totalled 418 million boe. This consisted of 249 million barrels of crude oil and natural gas liquids and 1,013 billion cubic feet of natural gas. Penn West's program of drilling internally generated prospects combined with property acquisitions grew the Company's reserves by 2 percent over year end 2001. Proven reserve additions during 2002 replaced 136 percent of the year's production.

5. Reserve Values

	Reserves (before royalties)		Before Tax Discounted Value of Estimated Future Net Revenue*			
	Oil and Liquids (mmbbls)	Natural Gas (bcf)	0%	10%	15%	20%
Proven producing	173.6	742.1	4,643	2,569	2,170	1,901
Proven non-producing	37.7	154.7	1,062	399	282	208
Total proven	211.3	896.8	5,705	2,968	2,452	2,109
Probable	37.6	115.9	1,058	315	225	172
December 31, 2002	248.9	1,012.7	6,763	3,283	2,677	2,281
December 31, 2001	229.1	1,071.4	6,800	3,047	2,439	2,047
December 31, 2000	196.3	1,078.8	6,479	3,180	2,637	2,280

* The estimate of future net production revenue was based on the price forecast outlined in Table 9, adjusted as required for transportation and quality differentials.

6. Oil and Liquids Reserves

(mmbbls, before royalties)

	2002	2001	2000
Proven producing	173.6	154.8	141.1
Proven non-producing	37.7	34.8	23.0
Total proven	211.3	189.6	164.1
Probable	37.6	39.5	32.2
Total	248.9	229.1	196.3
Reserve life index (years)	14.4	14.9	15.4

7. Natural Gas Reserves

(bcf, before royalties)

	2002	2001	2000
Proven producing	742.1	761.6	729.0
Proven non-producing	154.7	187.4	202.3
Total proven	896.8	949.0	931.3
Probable	115.9	122.4	147.5
Total	1,012.7	1,071.4	1,078.8
Reserve life index (years)	8.2	8.9	9.5

8. Reserve Additions

(before royalties)

	Oil and Liquids (mmbbls)			Natural Gas (bcf)		
	Proven	Probable	Total	Proven	Probable	Total
December 31, 1999	123.8	25.6	149.4	876.1	117.9	994.0
Discoveries and extensions	24.5	2.9	27.4	170.1	19.7	189.8
Acquisitions/dispositions	27.8	3.9	31.7	6.5	9.9	16.4
Production	(11.9)	–	(11.9)	(112.1)	–	(112.1)
Revisions of prior estimates	(0.1)	(0.2)	(0.3)	(9.3)	–	(9.3)
December 31, 2000	164.1	32.2	196.3	931.3	147.5	1,078.8
Discoveries and extensions	17.8	5.4	23.2	135.4	(25.1)	110.3
Acquisitions/dispositions	22.8	2.1	24.9	14.9	–	14.9
Production	(14.2)	–	(14.2)	(120.6)	–	(120.6)
Revisions of prior estimates	(0.9)	(0.2)	(1.1)	(12.0)	–	(12.0)
December 31, 2001	189.6	39.5	229.1	949.0	122.4	1,071.4
Discoveries and extensions	14.2	(1.9)	12.3	63.2	–	63.2
Acquisitions/dispositions	24.5	–	24.5	24.2	–	24.2
Production	(16.1)	–	(16.1)	(121.4)	–	(121.4)
Revisions of prior estimates	(0.9)	–	(0.9)	(18.2)	(6.5)	(24.7)
December 31, 2002	211.3	37.6	248.9	896.8	115.9	1,012.7

9. Price Forecast

	Oil	Oil	Oil	Natural Gas
	WTI	Light Crude at Edmonton	Bow River Medium Crude	Alberta Average Field Price
	(US\$/bbl)	(\$/bbl)	(\$/bbl)	(\$/mmbtu)
2003	26.00	39.60	32.60	5.15
2004	24.00	35.90	30.29	4.85
2005	22.90	33.70	27.98	4.65
2006	22.80	33.00	27.16	4.65
2007	23.30	33.20	27.25	4.65
2008	23.80	33.90	27.83	4.70
2009	24.30	34.60	28.41	4.80
2010	24.80	35.30	28.98	4.90
2011	25.30	36.00	29.56	5.00
2012	25.80	36.70	30.13	5.10

10. Net Asset Value

(\$ millions before tax at December 31, 2002, except per share amounts)

Reserves (proven plus half probable) – 10% discount rate	\$ 3,125
Undeveloped land (at \$100/acre)	416
Proceeds from stock options	150
Bank loan and working capital	(718)
Net asset value	\$ 2,973
Shares and stock options outstanding at year end (millions)	58.74
Net asset value per share	\$ 50.61

Natural Gas Marketing

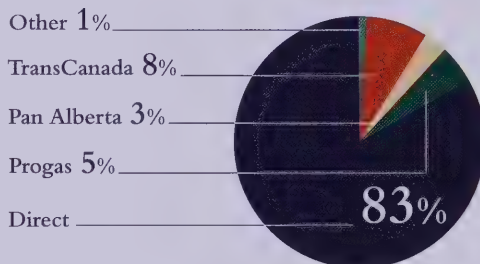
During 2002, Penn West marketed most of its natural gas production to direct markets, with the balance sold to several aggregator pools. On average, the Company hedged approximately 27 percent of its natural gas production. In 2002, Penn West received an average sales price of \$3.79 per thousand cubic feet of production.

For the most part, the domestic Alberta market continues to offer a premium netback relative to most other indices. The Company will continue to maintain a significant weighting to the Alberta market.

Penn West makes limited use of short term financial hedge instruments to manage downside price risk. Other natural gas marketing principles include:

- Ensuring receipt transportation is balanced with supply;
- De-contracting from aggregators wherever it is economic;
- Pursuing low risk, high netback indices; and
- Limiting marketing arrangements to creditworthy counterparties.

2002 Year End Natural Gas Marketing

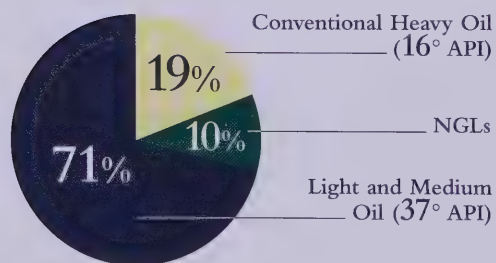


Oil and Liquids Marketing

West Texas Intermediate ("WTI"), the benchmark for North American crude prices, averaged just under US\$26.00/bbl in 2002. Correspondingly, Penn West received an average price of \$32.77 per barrel for its crude oil and NGLs. Penn West continues to maintain strong oil netbacks relative to industry postings due to the high overall quality of crude oil with an average density of 32° API.

Light and medium oil, with an average density of 37° API, accounts for approximately 71 percent of the Company's oil and liquids production. Conventional heavy oil, at an average density of approximately 16° API, accounts for 19 percent of total oil and liquids while natural gas liquids make up the remaining 10 percent.

2002 Year End Crude Oil and Liquids Marketing



Penn West sells the majority of its production at the lease level, primarily to refiners and to some marketing companies. The Company takes a conservative approach to marketing, placing a high value on the creditworthiness of its counterparties. Oil and NGL contracts are negotiated on a monthly evergreen or annual basis. Within these contracts, the Company further directs crude deliveries to appropriate markets in order to optimize field netbacks as opportunities arise.

2003 Development Program

Penn West's 2003 capital program reflects stronger commodity prices and a rebound in business confidence. The Company has budgeted spending of \$550-\$650 million for the year, based on average annual price assumptions of US\$27.00 per barrel of WTI crude oil, US\$4.95 per mmbtu of NYMEX natural gas and an average corporate natural gas sales price of \$6.00 per mcf at the plantgate. The current budget will fund drilling of a planned 500-600 net wells, an increase in drilling of approximately 65 percent over 2002 and a new company record.

For 2003, Penn West has placed renewed emphasis on natural gas drilling, starting the year with a record winter drilling program in the Northern Area. Penn West's well-rounded capital program includes funding for carefully selected deep exploration, for development of the Company's enhanced oil recovery programs in the Central Area, for work on its coalbed methane program, and for conventional heavy oil and shallow gas drilling in the Plains Area. As in previous years, a portion of the base capital budget has been set aside for property acquisitions, and the Company has sufficient financial flexibility to expand its budget should conditions warrant. Penn West plans to achieve average production of 104,000-109,000 boe per day in 2003, representing growth of 5-10 percent over 2002 average volumes.

Environment

Penn West has an extensive environmental program and is intensifying its efforts in several important areas of environmental protection. Penn West is committed to minimizing the environmental impacts from oil and natural gas operations, and to involving all stakeholders throughout the exploration, development, production and abandonment processes. The oil and natural gas industry is subject to numerous environmental regulations under provincial and federal legislation. These regulations govern numerous aspects of industry operations, including air and water quality, physical impact and site remediation and reclamation.

Penn West's Environmental Policy and Environmental Management Plan (EMP) encompass the full range of air, water, soil and waste issues associated with industry operations. The Company's Environmental Operating Guidelines are used to train Penn West's employees in the practical and economic implications of the EMP.

Penn West has been and continues to be a leading participant in the Voluntary Challenge and Registry, a cooperative effort involving industry, government and environmental organizations to identify and reduce greenhouse gas emissions. It is difficult for a rapidly growing company such as Penn West to reduce its total volumes of carbon dioxide emissions, but the Company succeeded in reducing the intensity of its emissions (emissions per unit of production) to almost 8.5 percent below 1996 levels.

This was accomplished through a variety of measures. Solution gas flaring and venting has been eliminated at many well sites by tying in wells and facilities, conserving the natural gas. Since 1996, there has been a 42 percent reduction in the volume of solution gas flared or vented per unit of production. Penn West recently completed an internal analysis of the Company's largest sources of flaring, venting, and fuel consumption. It is anticipated that additional greenhouse gas emission reductions will be achieved from this program in the coming year. This will result in the Company maintaining its higher than industry average solution gas conservation rate.

At the Minnehik-Buck Lake natural gas processing facility, Penn West has replaced line heaters with cogeneration units, producing both electricity and recoverable waste heat for plant operations. The Company is also evaluating other sites for the potential to generate electricity from waste gas.

The Company initiated a survey program three years ago to identify sources of "fugitive" emissions from valves and fittings at major gas facilities. The Company has completed the work necessary to reduce these emissions. These reductions not only reduced greenhouse gas emissions but have also resulted in cost savings that have paid for the program.

Penn West is one of only two Canadian oil and natural gas operators currently engaged in the physical sequestration of carbon dioxide, the largest industry emitted greenhouse gas. CO₂ is the most important of the greenhouse gases released by human activities because of the quantities released, particularly through the burning of fossil fuels. CO₂ makes up 65 percent of Penn West's emissions and 79 percent of Canada's emissions. This program sequesters volumes equivalent to 5 percent of the Company's total estimated CO₂ equivalent emissions. Please see page 19 for a full discussion of Penn West's CO₂ miscible flood at Joffre.

Penn West's overall environmental programs have earned the Company Platinum Member Status with the Canadian Association of Petroleum Producers' Environment, Health & Safety Stewardship program. Many of Penn West's recently acquired assets have room for improved efficiencies, while newly built facilities operate in compliance with increasingly high standards.

Penn West has also intensified its proactive management of site and facility abandonment issues. An independent environmental consultant has audited all batteries, compressor stations and gas plants operated by the Company to create an estimate of future liabilities. These audits were also used to identify means of reducing environmental impacts and future liabilities. Examples include reclamation of historically used flare pits, spill prevention programs and other measures.

Extensive environmental audits are also conducted on facilities prior to acquisition to determine any liabilities that the Company might be acquiring with new properties. The Company has initiated a policy to exclude abandoned wells from any acquired properties, requiring the vendor to manage and fund the final decommissioning.

Community Responsibility and Involvement

Penn West financially supports nearly 200 community organizations, foundations and voluntary groups. Included in this group is Calgary's Mount Royal College where Penn West funds have been dedicated to the Institute for Applied Environmental Research & Innovation. As well, significant funding goes to cancer research and the United Way.

Penn West has many employees with young children. Since children are our future, we believe it is imperative that we devote our efforts to improving their well being. The new Alberta Children's Hospital will be the premier facility of its kind in Western Canada. This hospital will serve the children of Alberta, Southern Saskatchewan and parts of British Columbia, a region closely corresponding to Penn West's operating area.



Penn West and its employees have made a funding commitment to the Alberta Children's hospital totalling \$500,000 over five years. This funding will be part of a support program that will help finance chairs for certain medical specialties, help to ensure the hospital's equipment and features are state-of-the-art, and help to enhance the healing environment for children with family friendly areas.

Additionally, Penn West actively supports the communities in our areas of operations, in many cases meshing with the personal volunteer involvement of Penn West employees.

Management's Discussion & Analysis

For the year ended December 31, 2002

Penn West has a proven management team, dedicated employees and an established business plan.

The Company has progressed from a very small producer in 1992 to the top ranks of independent oil and natural gas producers in Western Canada. We have focused on a disciplined approach to business that stresses cost control and balance. Using this disciplined approach, we have shown the ability not only to explore for and develop reserves of crude oil and natural gas, but also to acquire and optimize producing fields of both commodities. We have a diverse and strong asset base that we will continue to expand using our proven business plan.

Our vision is to create shareholder value through year-over-year prudent growth in:

- production of crude oil and natural gas;
- reserves of crude oil and natural gas; and
- cash flow that results in increased profitability.

We recognize that long term success depends on financial discipline. Using our established business plan, we have achieved profitable growth without undue dilution of our shareholders' investment and with prudent use of debt as outlined in the table below.

11. Shareholder Value Measures

Years ended December 31

	2002	2001	2000	1999	1998
Daily production per thousand shares (boe)	1.9	1.8	1.6	1.3	1.1
Proven reserves per share (boe)	6.7	6.6	6.2	5.3	3.7
Cash flow per share (\$)	8.70	11.72	10.86	4.89	2.73
Ratio of year end bank debt to annual cash flow	1.3	0.9	1.1	2.6	2.2

The factors contributing to our success include an extensive base of undeveloped land (4.2 million net acres at year end), in-house professional and technical staff, and a strong balance sheet that provides the flexibility to pursue a strategy of organic growth or growth through acquisitions. This flexibility is also a key factor in achieving favourable returns on investment, and has contributed to our history of low finding and development costs. The Company's five year history of finding and development costs and financial returns are summarized in Table 12 on the following page.

Penn West has always focused on cost control and the effective management of risks. Companies in the upstream oil and natural gas industry are, in general, price-takers. Products are commodities with the price setting mechanism determined by either global or continental supply and demand factors. Consequently, cost control is an important element in generating above average financial performance. Penn West has delivered strong financial returns, even through the period of low crude oil and natural gas prices experienced during 1998, due to the Company's ability to manage risks and control costs.

Penn West has consistently created value by adhering to its established business plan. As we entered 2002, a time of lower commodity prices, we reduced activity levels. This disciplined approach to spending provides the financial strength needed to continue growth and profitability through all phases of the commodity price cycle.

Penn West generated increases in production levels and proven reserves in 2002. Reduced netbacks for natural gas reflected a decline in natural gas prices, while crude oil netbacks remained flat. We exceeded our 2002 target of \$400-\$450 million cash flow, our 2002 cash flow per share target, and met our 2002 production targets. Further details on the year's results are discussed below. As we move into 2003 with stronger commodity prices, margins will improve. Penn West will continue to execute its disciplined approach focusing on cost control and balanced growth.

12. Performance Indicators

Years ended December 31

	2002	2001	2000	1999	1998
Finding and development costs – proven reserves (\$/boe)	11.63	10.12	6.76	6.00	4.70
Return on capital employed	7.2%	12.8%	15.2%	8.3%	6.2%
Return on equity	13.2%	24.9%	29.9%	15.2%	9.8%

13. Oil and Natural Gas Revenues

Years ended December 31

<i>(\$000s)</i>	2002	2001	2000
Oil and liquids	\$ 526,656	\$ 444,319	\$ 425,639
Natural gas	460,318	631,862	526,518
Total	\$ 986,974	\$ 1,076,181	\$ 952,157

14. 2002 Increases (Decreases) in Gross Revenues

(\$000s)

Gross revenues – 2001	\$ 1,076,181
Increase in oil and liquids production	58,833
Increase in oil and liquids price	23,504
Increase in natural gas production	4,461
(Decrease) in natural gas price	(176,005)
Gross revenues – 2002	\$ 986,974

Revenues from oil and liquids increased by 19 percent to \$527 million in 2002 from \$444 million in 2001. This increase was attributable to higher production volumes and higher average prices. The Company's average liquids price increased by 5 percent to \$32.77 per barrel in 2002 from \$31.31 per barrel in 2001, and the average daily production of oil and liquids increased by 13 percent to 44,033 barrels per day in 2002 from 38,884 barrels per day in 2001.

Revenues from natural gas decreased by 27 percent in 2002 to \$460 million from \$632 million in 2001. This decrease was due to the increase in average natural gas production being more than offset by significantly lower prices experienced in the year. Production of natural gas increased by one percent to 333 mmcf per day in 2002 from 330 mmcf per day in 2001, and average natural gas prices fell by 28 percent to \$3.79 per mcf in 2002 from \$5.24 per mcf in 2001.

15. Royalty Expenses

Years ended December 31

	2002	2001	2000
Royalties, net of Alberta Royalty Credit (\$000s)	\$ 188,898	\$ 222,003	\$ 207,338
Average cost (\$/boe)	\$ 5.20	\$ 6.47	\$ 6.79
Percentage of gross revenues	19%	21%	22%

The average royalty rate Penn West incurred in 2002, net of the Alberta Royalty Tax Credit, was 19 percent, a reduction in rate of 2 percent from 2001. The rate decrease reflects a higher oil and liquids royalty rate of 17 percent versus 16 percent in 2001, and a lower natural gas royalty rate of 22 percent versus 24 percent in 2001. These rates reflect the price sensitive nature of royalty rates in Western Canada.

16. Operating Expenses

Years ended December 31

	2002	2001	2000
Operating expenses (\$000s)	\$ 210,932	\$ 173,014	\$ 130,927
Average cost (\$/boe)	\$ 5.81	\$ 5.05	\$ 4.28
Percentage of gross revenues	21%	16%	14%

In 2002, operating costs averaged \$5.81 per boe, a 15 percent increase from the average cost of \$5.05 per boe achieved in 2001. A portion of this increase reflects the higher costs incurred in the production of crude oil as compared to natural gas. The weighting of liquids in the Company's production mix increased to 44 percent of total production in 2002 from 41 percent of total production in 2001.

Operating costs for oil and liquids increased by 10 percent to \$9.62 per barrel in 2002 from \$8.77 per barrel in 2001. Operating costs for natural gas in 2002 were \$0.46 per mcf, an increase of 15 percent from \$0.40 per mcf in 2001. These increases reflect, in large part, the higher costs of electricity and other field services.

17. Netbacks

Years ended December 31

	2002	2001	2000
Oil and liquids			
Production (bbls/day)	44,033	38,884	32,462
Price (\$/bbl)	\$ 32.77	\$ 31.31	\$ 35.83
Royalties (\$/bbl)	(5.51)	(5.15)	(6.61)
Operating expenses (\$/bbl)	(9.62)	(8.77)	(7.68)
Netback (\$/bbl)	\$ 17.64	\$ 17.39	\$ 21.54
Natural gas			
Production (mmcf/day)	332.7	330.3	306.2
Price (\$/mcf)	\$ 3.79	\$ 5.24	\$ 4.70
Royalties (\$/mcf)	(0.83)	(1.24)	(1.15)
Operating expenses (\$/mcf)	(0.46)	(0.40)	(0.35)
Netback (\$/mcf)	\$ 2.50	\$ 3.60	\$ 3.20

In 2002, Penn West received an average oil and liquids netback of \$17.64 per barrel and a natural gas netback of \$2.50 per mcf. The 2002 oil and liquids netback was up by one percent from \$17.39 per barrel due to higher average commodity prices, offset by higher royalties, and higher operating expenses driven by relatively higher cost light oil properties acquired in the year. The netback for natural gas dropped by 31 percent from \$3.60 per mcf mainly as a result of the significant decline in natural gas prices in the year.

18. General and Administrative Expenses

Years ended December 31

	2002	2001	2000
Gross expenses (\$000s)	\$ 26,182	\$ 23,276	\$ 19,426
Operator recoveries (\$000s)	(15,859)	(15,852)	(12,884)
Net expenses (\$000s)	\$ 10,323	\$ 7,424	\$ 6,542
Gross general and administrative expenses – average cost (\$/boe)	\$ 0.72	\$ 0.68	\$ 0.63
Percentage of gross revenues	3%	2%	2%
Net general and administrative expenses – average cost (\$/boe)	\$ 0.28	\$ 0.22	\$ 0.21
Percentage of gross revenues	1%	1%	1%

Gross general and administrative expenses increased due to growth in staff levels to manage the Company's expanding asset base and production levels. Expressed on a unit of production basis, the gross general and administrative costs increased by 6 percent, to \$0.72 per boe in 2002 from \$0.68 per boe in 2001.

Net general and administrative expenses on a per unit basis increased to \$0.28 per boe in 2002 from \$0.22 per boe in 2001. This low level of unit cost is reflective of top quartile performance in the industry.

19. Financing Expenses

Years ended December 31

	2002	2001	2000
Interest (\$000s)	\$ 20,310	\$ 26,706	\$ 42,586
Cash flow times interest coverage	24.0	24.0	14.2
Average cost (\$/boe)	\$ 0.57	\$ 0.78	\$ 1.39
Percentage of gross revenues	2%	2%	4%

Interest expense for the year ended December 31, 2002 amounted to \$20.3 million, a decrease of 24 percent from \$26.7 million in 2001. This decrease directly reflects the ability of the Company to capture the benefits of low, short term interest rates experienced in 2002 on both Canadian and U.S. denominated debt.

20. Depletion, Depreciation and Site Restoration Provision

Years ended December 31

	2002	2001	2000
Depletion and depreciation (\$000s)	\$ 233,732	\$ 185,320	\$ 146,689
Site restoration provision (\$000s)	24,965	16,001	13,238
	\$ 258,697	\$ 201,321	\$ 159,927
Average cost (\$/boe)	\$ 7.13	\$ 5.87	\$ 5.23
Percentage of gross revenues	26%	19%	17%

Depletion, depreciation and the site restoration provision increased by 28 percent to a total of \$258.7 million in 2002 from \$201.3 million in 2001. This was a direct result of increases in the Company's production levels combined with an increase in the depletion rate. Average unit costs increased by 21 percent to \$7.13 per boe in 2002 from \$5.87 per boe in 2001.

21. Foreign Exchange

Years ended December 31

	2002	2001	2000
Foreign exchange loss (\$000s)	\$ 4,482	\$ -	\$ -
Average cost (\$/boe)	\$ 0.12	\$ -	\$ -
Percentage of gross revenues	0.4%	0%	0%

During the year, the Company converted substantially all of its borrowings to U.S. dollars to capture the benefits of a widening differential between Canadian and U.S. interest rates. This differential in interest rates captured interest expense savings of \$3.4 million in 2002 when compared to the interest costs that would have been incurred had the borrowings remained in Canadian dollars. As at December 31, 2002, the Company had \$340 million (2001 – nil) of U.S. denominated debt at an average exchange rate of 1.5644. The conversion of the outstanding U.S. borrowings to the year end exchange rate resulted in a 2002 unrealized foreign exchange loss of \$4.5 million versus nil in 2001. To date in 2003, the Canadian dollar has strengthened relative to the U.S. dollar and the interest rate differential has remained favourable.

22. Taxes

Years ended December 31

	2002	2001	2000
Current income taxes (\$000s)	\$ 82,021	\$ 25,111	\$ –
Future income taxes (\$000s)	41,840	166,518	177,630
	\$ 123,861	\$ 191,629	\$ 177,630
Effective tax rate	42%	43%	44%
Capital taxes (\$000s)	\$ 11,031	\$ 8,980	\$ 4,708

The provision for income taxes decreased by 35 percent to \$123.9 million in 2002 from \$191.6 million in 2001 as a result of 34 percent lower income before income taxes and a one percent decrease in the Company's effective tax rate to 42 percent from 43 percent in 2001. The provision for income taxes in 2002 included current taxes payable of \$82.0 million as a result of very high levels of returns and profitability.

Capital taxes rose by 23 percent in 2002 to \$11.0 million from \$9.0 million in 2001 due to continuing growth in the Company's capital structure.

23. Tax Pools

At December 31

(\$ millions)	2002	2001	2000
Undepreciated capital cost (UCC)	\$ 440.6	\$ 398.5	\$ 333.2
Cumulative Canadian oil and gas property expense (COGPE)	852.7	750.9	644.3
Cumulative Canadian exploration expense (CEE)	1.4	1.9	1.9
Cumulative Canadian development expense (CDE)	128.5	128.8	95.7
Other	0.7	2.2	4.3
Total tax pools	\$ 1,423.9	\$ 1,282.3	\$ 1,079.4

24. Items Affecting Cash Flow and Net Income

Years ended December 31

	2002		2001		2000	
	\$/boe	%	\$/boe	%	\$/boe	%
Oil and natural gas revenues	\$ 27.18	100.0	\$ 31.39	100.0	\$ 31.16	100.0
Net royalties	(5.20)	(19.1)	(6.47)	(20.6)	(6.79)	(21.8)
Operating expenses	(5.81)	(21.4)	(5.05)	(16.1)	(4.28)	(13.7)
Net operating income	16.17	59.5	19.87	63.3	20.09	64.5
General and administrative	(0.28)	(1.0)	(0.22)	(0.7)	(0.21)	(0.7)
Interest	(0.57)	(2.1)	(0.78)	(2.5)	(1.39)	(4.5)
Current and capital taxes	(2.56)	(9.4)	(0.99)	(3.1)	(0.15)	(0.5)
Cash flow from operations	12.76	47.0	17.88	57.0	18.34	58.8
Unrealized foreign exchange loss	(0.12)	(0.4)	—	—	—	—
Depletion and depreciation	(7.13)	(26.3)	(5.87)	(18.7)	(5.23)	(16.8)
Future income taxes	(1.15)	(4.2)	(4.86)	(15.5)	(5.81)	(18.6)
Net income	\$ 4.36	16.1	\$ 7.15	22.8	\$ 7.30	23.4

On a unit of production basis, net operating income dropped to \$16.17 per boe in 2002 from \$19.87 per boe in 2001, mainly as a result of lower natural gas prices. Cash flow from operations declined to \$12.76 per boe in 2002 from \$17.88 per boe in 2001, reflecting the higher proportion of cash taxes payable in the period.

Cash flow decreased by 24 percent to \$463 million in 2002 from \$613 million in 2001. Basic cash flow per share fell by 26 percent to \$8.70 in 2002, compared to \$11.72 in 2001.

Net income declined by 35 percent to \$158 million in 2002 from \$245 million in 2001. Basic net income per share decreased by 36 percent in 2002 to \$2.98 from \$4.69 in 2001.

Net income per unit of production in 2002 was \$4.36 per boe, down from \$7.15 per boe in 2001. Higher non-cash depletion and depreciation rates were more than offset by the reduction in future income taxes.

Future Accounting Pronouncements

Future site restoration and abandonment

In 2002, the Canadian Institute of Chartered Accountants issued a new accounting standard for asset retirement obligations. The new standard requires recognition of the fair value of property abandonment and site restoration obligations as a liability on the balance sheet. This new standard will be effective January 1, 2004. Adoption of this new standard will result in an increase in property, plant and equipment, and site restoration and abandonment on the balance sheet, but is not expected to have a material impact on earnings.

Hedging

Accounting Guideline 13 *Hedging Relationships* establishes conditions for when hedge accounting may be applied, but does not establish accounting treatment for hedges. The guideline is effective January 1, 2004. The Company expects that the application of this guideline will have no impact on its accounting for hedges.

Liquidity and Capital Resources

25. Capitalization

At December 31

	2002		2001		2000	
	\$ millions	%	\$ millions	%	\$ millions	%
Common share equity, at market	\$ 2,203	75.4	\$ 1,866	75.3	\$ 1,938	76.6
Bank loan	598	20.5	556	22.4	590	23.3
Working capital deficiency	120	4.1	57	2.3	2	0.1
	\$ 2,921	100.0	\$ 2,479	100.0	\$ 2,530	100.0

Penn West's closing market price on the Toronto Stock Exchange was \$41.00 per share in 2002, \$35.40 per share in 2001 and \$37.40 per share in 2000. Total capitalization was \$2.5 billion at year end 2000 and rose to \$2.9 billion at year end 2002.

Penn West ended 2002 with higher reserves and increased production levels versus year end 2001. The Company maintained a strong balance sheet heading into 2003.

Penn West has an aggregate borrowing limit of \$815 million on its loan facility with a syndicate of Canadian chartered banks, on which the Company had drawn \$598 million at year end 2002. This loan facility is subject to an annual review by the lenders and requires no principal repayments provided that certain covenants with respect to tangible net worth and cash flow coverage tests are met. Penn West has ample coverage under these tests.

Penn West will fund its 2003 planned capital spending program of \$550-\$650 million from its internal cash flow, estimated at \$670-\$710 million. The Company has sufficient capital resources to replace estimated 2003 production and to continue generating long term growth.

Business Risks

The Company's exploration, development, production and acquisition activities are conducted in the Western Canadian Sedimentary Basin and involve a number of business risks. These risks include the uncertainty of replacing annual production and finding new reserves on an economic basis, and the instability of commodity prices, foreign exchange rates and interest rates. To the extent practical, these risks are mitigated by employing highly trained and competent management and staff who manage these risks as follows:

- Balancing the production portfolio between oil and natural gas;
- Pursuing numerous investment opportunities, including:
 - Low risk development projects;
 - Moderate risk exploration plays;
 - Strategic acquisitions; and
 - Maintain low finding, operating and general and administrative costs.

The Company's management team believes that these principles, validated through Penn West's 10 year track record of growth and profitability, position the Company to continue its growth in production volumes and creation of shareholder value.

The oil and natural gas industry is subject to extensive government influence through taxation policies and environmental legislation. Taxation policy has remained stable within a reasonable operating environment, however, there is always the potential for change.

The industry is also subject to extensive regulations imposed by governments related to the protection of the environment. Environmental legislation in Western Canada has undergone major revisions that have resulted in environmental standards and compliance becoming more stringent. The Company is committed to meeting its responsibilities to protect the environment wherever it operates, and has instituted a series of controls and procedures with respect to environmental protection that meet the standards of the Environmental Code of Practice published by the Canadian Association of Petroleum Producers.

Future Prospects

Focused on five Core Areas, the Company continues to generate economic prospects through acquisitions, exploration, exploitation and development. The Company's extensive undeveloped land base and existing high quality, long life reserves provide opportunities for low risk growth in both reserves and production.

Penn West has provided positive earnings in each quarter for the last 10 years since the new board of directors and management was introduced. Fiscal responsibility has always played a major role in the actions taken by management and will continue to be important in the ongoing strategy for long term profitable growth. With oil prices at relatively high levels, and with a long term outlook for higher natural gas prices, Penn West is increasing exploration and development activity levels and related capital spending in line with its forecast cash flow.

Forecast cash flow for 2003 is \$670-\$710 million, or \$12.30-\$13.10 per share. The Company has hedged an average of 17,500 barrels per day of crude oil for the first half of 2003. With increased activity levels, the Company expects to grow both production and reserves per share throughout 2003 through a combination of exploration and development projects targeting both natural gas and crude oil prospects.

The results of operations and the forecast noted above are sensitive to changes in production volumes, commodity prices, foreign exchange rates and interest rates. The following table summarizes those sensitivities.

26. Sensitivities

(\$ millions, except per share amounts)

	Impact on 2003 Cash Flow	Impact on 2003 Net Income
Change of:		
\$1.00 per barrel in liquids price	\$ 14.3	\$ 8.4
Per common share	0.26	0.15
1,000 bbls per day in daily liquids production	10.0	4.1
Per common share	0.19	0.08
\$0.10 per mcf in natural gas price	9.6	5.6
Per common share	0.18	0.10
10 mmcf per day in daily natural gas production	15.8	6.3
Per common share	0.29	0.12
\$0.01 in US\$/Cdn\$ exchange rate	15.2	8.9
Per common share	0.28	0.16
1% in prime interest rate	6.9	4.0
Per common share	\$ 0.13	\$ 0.07

Management's Report

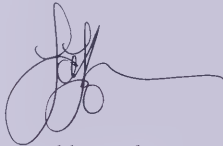
The consolidated financial statements of Penn West Petroleum Ltd. were prepared by management in accordance with accounting principles generally accepted in Canada. The financial and operating information presented in this report is consistent with that shown in the financial statements.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information.

External auditors appointed by the shareholders have examined the consolidated financial statements. The Audit Committee, consisting of non-management directors, has reviewed these consolidated financial statements with management and the auditors and has reported to the Board of Directors. The Board has approved the consolidated financial statements.



Gerry J. Elms
Vice President, Finance
and Corporate Secretary



Todd H. Takeyasu
Treasurer



William E. Andrew
President

March 20, 2003

Auditors' Report to the Shareholders

We have audited the consolidated balance sheet of Penn West Petroleum Ltd. as at December 31, 2002 and the consolidated statements of income and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2001 and for the year then ended were audited by other auditors who have ceased operations. Those auditors expressed an opinion without reservation on those financial statements in their report dated March 18, 2002.

Calgary, Alberta
March 20, 2003

KPMG LLP
Chartered Accountants

Consolidated Balance Sheets

December 31

(\$000s)	2002	2001
Assets		
Current		
Accounts receivable	\$ 145,587	\$ 88,061
Prepays and other	14,002	14,996
	159,589	103,057
Property, plant and equipment (Note 2)	2,632,831	2,293,308
	\$ 2,792,420	\$ 2,396,365
Liabilities and shareholders' equity		
Current		
Accounts payable and accrued liabilities	\$ 197,575	\$ 135,355
Income taxes payable (Note 5)	82,021	25,111
	279,596	160,466
Bank loan (Note 3)	598,435	556,330
Site restoration and abandonment	41,264	27,236
Future income taxes (Note 5)	580,104	538,264
	1,219,803	1,121,830
Shareholders' equity		
Share capital (Note 4)	483,805	463,293
Retained earnings	809,216	650,776
	1,293,021	1,114,069
	\$ 2,792,420	\$ 2,396,365

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:



Chairman



Director

Consolidated Statements of Income and Retained Earnings

Years ended December 31

Penn West

(\$000s, except per share amounts)	2002	2001
Revenues		
Oil and natural gas	\$ 986,974	\$ 1,076,181
Royalties	(188,898)	(222,003)
	<u>798,076</u>	<u>854,178</u>
Expenses		
Operating	210,932	173,014
General and administrative	10,323	7,424
Interest on long term debt	20,310	26,706
Depletion and depreciation	258,697	201,321
Foreign exchange loss	4,482	-
	<u>504,744</u>	<u>408,465</u>
Income before taxes	<u>293,332</u>	<u>445,713</u>
Taxes		
Capital	11,031	8,980
Current income (Note 5)	82,021	25,111
Future income (Note 5)	41,840	166,518
	<u>134,892</u>	<u>200,609</u>
Net income	<u>158,440</u>	<u>245,104</u>
Retained earnings, beginning of year	<u>650,776</u>	<u>405,672</u>
Retained earnings, end of year	\$ <u>809,216</u>	\$ <u>650,776</u>
Net income per common share (Note 6)		
Basic	\$ 2.98	\$ 4.69
Diluted	\$ 2.90	\$ 4.54

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flow

Years ended December 31

(\$000s, except per share amounts)	2002	2001
Operating activities		
Net income	\$ 158,440	\$ 245,104
Items not involving cash		
Depletion and depreciation	258,697	201,321
Future income taxes	41,840	166,518
Unrealized foreign exchange loss	4,482	–
Funds flow from operations	463,459	612,943
Decrease in non-cash working capital (Note 8)	39,654	39,297
	503,113	652,240
Investing activities		
Additions to property, plant and equipment	(576,811)	(649,711)
Expenditures on abandonments	(10,937)	(14,892)
Proceeds on sales of property, plant and equipment	3,556	16,179
Decrease in non-cash working capital (Note 8)	22,872	16,075
Cash flow used in investing activities	(561,320)	(632,349)
Financing activities		
Increase (decrease) in bank loan	37,623	(34,025)
Issue of common shares	20,512	14,353
Decrease (increase) in non-cash working capital (Note 8)	72	(219)
Cash flow from (used in) financing activities	58,207	(19,891)
Increase in cash	–	–
Cash and cash equivalents, beginning of year	–	–
Cash and cash equivalents, end of year	\$ –	\$ –
Cash flow per common share (Note 6)		
Basic	\$ 8.70	\$ 11.72
Diluted	\$ 8.48	\$ 11.36

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2002 and 2001

(all tabular amounts in \$000s, except per share amounts)

1. Summary of significant accounting policies

These consolidated financial statements were prepared in accordance with generally accepted accounting principles in Canada. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

a) Principles of consolidation

The consolidated financial statements include the accounts of Penn West Petroleum Ltd. (the "Company") and all its wholly owned subsidiaries and partnerships.

b) Other current assets

Other current assets include deposits, prepayments and inventory. Inventories are valued at the lower of cost and net realizable value.

c) Property, plant and equipment

i) Capitalized costs

The full cost method of accounting for oil and natural gas operations is followed whereby all costs of acquiring, exploring and developing oil and natural gas reserves are capitalized. These costs include lease acquisition, geological and geophysical, exploration and development and related equipment costs. Proceeds from the disposition of oil and natural gas properties are accounted for as a reduction of capitalized costs, with no gain or loss recognized unless such disposition results in a significant change in the depletion and depreciation rate.

ii) Depletion and depreciation

Depletion and depreciation of resource properties are calculated using the unit-of-production method based on production volumes before royalties in relation to total proven reserves as estimated by independent engineers. Natural gas volumes are converted to equivalent oil volumes based upon the relative energy content of six thousand cubic feet of natural gas to one barrel of oil. In determining its depletion base, the Company includes estimated future costs to be incurred in developing proven reserves and excludes estimated salvage values and the cost of unevaluated property. Significant processing facilities, net of estimated salvage, are depreciated using the declining balance method over the estimated useful lives of the facilities.

iii) Ceiling test

The carrying amount of property, plant and equipment, net of recorded future income taxes and site restoration and abandonment costs, is limited to the sum of estimated future net cash flows from proven reserves and the cost, less impairment, of undeveloped properties. Estimated future capital costs, production-related general and administrative expenses, interest expenses, and applicable income taxes are deducted in determining estimated future net cash flows from proven reserves.

iv) Future site restoration and abandonment costs

A provision has been made for estimated future site restoration and abandonment costs calculated on the unit-of-production method over total proven reserves. The 2002 provision of \$25.0 million (2001 – \$16.0 million) is included in depletion and depreciation expense. Actual site restoration and abandonment expenditures are charged to the accumulated provision as incurred.

The estimates in ii) and iii) and iv) are based on sales prices, costs and regulations in effect at the end of the year.

d) Joint ventures

Many of the Company's exploration and development activities are conducted jointly with others. The accounts reflect only the Company's proportionate interest in such activities.

e) Hedging activities

The Company may use forward contracts to hedge exposure to fluctuations in oil and natural gas prices, foreign exchange rates, electricity costs and interest rates. Gains and losses on oil and natural gas and foreign exchange transactions are reported as adjustments to oil and natural gas revenue when the related production is sold. Gains or losses on electricity rate transactions are expensed. Gains or losses on interest rate hedging transactions are reported as adjustments to interest on long term debt.

f) Enhanced oil recovery

The value of proprietary injectants is not recognized as revenue until re-produced and sold to third parties. The cost of injectants purchased from third parties for miscible flood projects is included in property, plant and equipment. Deferred injectant costs are amortized as depletion and depreciation over the period of expected future economic benefit on a straight-line basis. Costs associated with the production of proprietary injectants are expensed.

g) Foreign currency translation

Amounts denominated in foreign currencies are translated into Canadian dollars at the year end exchange rates. Gains or losses on translation are included in net income.

h) Stock-based compensation

Costs in respect of the employee stock savings plan, described in Note 4(d), are expensed as incurred.

The Company has a stock option plan as described in Note 4(e). The intrinsic value method is used to account for stock-based compensation costs arising from the stock option plan. Under this method, no compensation costs are recorded in the financial statements for stock options granted. The consideration from exercised stock options, comprising the number of options times the exercise price, is included in share capital.

i) Income taxes

The Company uses the liability method of accounting for future income taxes. Timing differences are calculated assuming that the financial assets and liabilities will be settled at their carrying amount. Future income taxes are computed on temporary differences using income tax rates that are expected to apply when future income tax assets and liabilities are realized or settled.

2. Property, plant and equipment

December 31,	2002	2001
Oil and natural gas properties, and production and processing equipment	\$ 3,516,532	\$ 2,944,724
Other	10,677	9,230
	3,527,209	2,953,954
Accumulated depletion and depreciation	(894,378)	(660,646)
Net book value	\$ 2,632,831	\$ 2,293,308

During the years ended December 31, 2002 and 2001, no overhead expenses were capitalized. The cost of unevaluated property excluded from the depletion base as at December 31, 2002 was \$196.3 million (2001 – \$176.4 million). At December 31, 2002, the Company's total estimated future site restoration costs, before any value recovered on salvage materials, were \$349.3 million (2001 – \$256.2 million).

3. Bank loan

December 31,	2002	2001
Bankers' acceptances	\$ 61,265	\$ 556,330
LIBOR Advances (US\$340 million)	537,170	–
	\$ 598,435	\$ 556,330

The Company has a credit facility arranged with a syndicate of Canadian chartered banks which is unsecured and bears interest at the prime rate or bankers' acceptance rates plus a stamping fee which varies between 87.5 and 117.5 basis points, depending on the Company's debt-to-cash flow ratio. The maximum borrowing under the facility is \$815 million comprising a \$765 million credit facility and a \$50 million operating loan facility. The facility is subject to an annual review by the lenders at which time a lender can request conversion to a term loan with repayment in full after one year. As at December 31, 2002, the Company had outstanding letters of credit for \$9.9 million (2001 – \$10.6 million), that reduced the amount otherwise available to be drawn on the facilities.

4. Share capital

a) Authorized

- i) Unlimited number of preferred shares issuable in one or more series.
- ii) Unlimited number of voting common shares without nominal or par value.

b) Issued

Common shares	Number	Consideration
Balance, December 31, 2000	51,818,382	\$ 448,940
Issued on exercise of stock options	849,365	12,381
Issued to employee stock savings plan	55,013	1,972
Balance, December 31, 2001	52,722,760	\$ 463,293
Issued on exercise of stock options	951,450	18,188
Issued to employee stock savings plan	58,330	2,324
Balance, December 31, 2002	53,732,540	\$ 483,805

c) Normal course issuer bid

In February 2003, the Company announced its intention to make a Normal Course Issuer Bid (the "Bid") through the facilities of the Toronto Stock Exchange. The Bid commenced on February 27, 2003 and will extend for a period not to exceed one year. During this period, a maximum of 5 percent of the issued and outstanding common shares of the Company, or 2,687,824 shares, may be repurchased for cancellation. As at March 20, 2003, 406,200 shares have been repurchased under the Bid at a cost of \$15.6 million.

d) Employee stock savings plan

The Company has an employee stock savings plan (the "Savings Plan") for the benefit of all salaried employees. Under the Savings Plan, employees may elect to contribute up to 10 percent of their salary. Employee contributions are matched by the Company at a rate of \$1.50 for each \$1.00 of employee contribution. Employee contribution shares may be issued from treasury at the average near quarter-end market prices or purchased in the open market. In 2002, all employee contribution shares were issued from treasury (see Note 4(b)). At or near each quarter-end, common shares are purchased in the open market for the Company contributions. In 2002, 72,872 Company contribution shares were purchased at an average price of \$39.54 (2001 – 54,485 shares at \$36.18).

e) *Stock options*

The Company has a stock option plan (the "Option Plan") for the benefit of its employees and directors. Options under the Option Plan vest over a five year period and, if unexercised, expire six years from the date of grant. Total stock option activity relating to the Option Plan was as follows:

	Shares	Weighted average exercise price
Balance, December 31, 2000	5,126,715	\$ 22.60
Granted	1,521,300	\$ 38.64
Exercised	(849,365)	\$ 14.58
Forfeited	(412,150)	\$ 38.33
Balance, December 31, 2001	5,386,500	\$ 27.19
Granted	852,400	\$ 36.25
Exercised	(951,450)	\$ 19.12
Forfeited	(281,700)	\$ 32.48
Balance, December 31, 2002	5,005,750	\$ 29.97

As at December 31, 2002, options to purchase 1,628,060 (2001 – 1,325,200) shares were exercisable. As at December 31, 2002, there were 4,937,125 common shares reserved for future issuance. The table below summarizes information about stock options outstanding at December 31, 2002:

Range of exercise prices	Outstanding as of December 31, 2002	Weighted average remaining contractual life	Weighted average exercise price	Exercisable as of December 31, 2002	Weighted average exercise price
\$13.60 – \$20.40	1,204,200	1.7	\$ 16.89	645,300	\$ 16.71
\$20.41 – \$30.60	435,950	2.7	\$ 27.63	202,150	\$ 27.71
\$30.61 – \$42.29	3,365,600	4.0	\$ 34.96	780,610	\$ 33.61
	5,005,750	3.4	\$ 29.97	1,628,060	\$ 26.18

f) *Stock-based compensation proforma information*

If the fair value based method had been used to account for the Option Plan, described in Note 4(e), the stock-based compensation costs, proforma net income and proforma net income per share would be as follows:

Year ended December 31,	2002
Stock-based compensation costs	\$ 1,544
Net income	
As reported	\$ 158,440
Proforma	\$ 156,896
Net income per common share	
Basic	
As reported	\$ 2.98
Proforma	\$ 2.95
Diluted	
As reported	\$ 2.90
Proforma	\$ 2.87

The proforma amounts include the compensation costs associated with stock options granted subsequent to January 1, 2002.

The Black-Scholes option pricing model, with the following weighted average assumptions, was used to estimate the fair value of options on the date of the grant:

Year ended December 31,	2002
Average fair value of stock options granted (per option)	
Director and officers	\$ 14.07
Other employees	\$ 11.70
Expected life of stock options (years)	
Director and officers	5.0
Other employees	4.5
Expected volatility (average)	31.9%
Risk free rate of return (average)	4.74%
Expected dividend yield	Nil

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that are fully transferable and have no vesting restrictions. The Company's employee stock options are not transferable, cannot be traded and are subject to vesting restrictions and exercise restrictions under the Company's blackout policy which would tend to reduce the fair value of the Company stock options. Changes to the subjective input assumptions used in the model can cause a significant variation in the estimate of the fair value of the options.

5. *Income taxes*

Future income tax liabilities result primarily from differences between the book value and tax basis of property, plant and equipment. These liabilities are partially offset by future tax assets that arise from differences between the book value and tax basis of site restoration and abandonment and share issue costs.

The provision for income taxes reflects an effective income tax rate that differs from combined federal and provincial statutory tax rates as follows:

Years ended December 31,	2002	2001
Income before taxes	\$ 293,332	\$ 445,713
Corporate income tax rate	42.5%	43.5%
Computed income tax provision	\$ 124,666	\$ 193,885
Increase (decrease) resulting from:		
Non-deductible Crown payments, net	71,045	88,682
Resource allowance	(72,209)	(88,936)
Provincial tax rate reductions	(6,837)	(13,626)
Other	7,196	11,624
Total income taxes	\$ 123,861	\$ 191,629
Current	82,021	25,111
Future	41,840	166,518
	\$ 123,861	\$ 191,629

As at December 31, future income tax assets (liabilities) arise from temporary differences as follows:

	2002	2001
Property, plant and equipment	\$ (593,257)	\$ (547,724)
Site restoration and abandonment	13,153	8,886
Share capital	—	574
	\$ (580,104)	\$ (538,264)

6. *Per share amounts*

The Company follows the treasury stock method to compute earnings per share. This method uses the Company's share prices to determine the dilutive effect of in-the-money stock options.

Cash flow amounts are calculated by adding depletion, depreciation, future income taxes and unrealized foreign exchange losses to net income. The weighted average number of common shares outstanding used to calculate per share amounts is as follows:

Years ended December 31,	2002	2001
Weighted average number of common shares outstanding		
Basic	53,241,352	52,291,615
Diluted	54,630,514	53,973,092

7. Financial instruments

The Company's financial instruments, included in the balance sheets, are comprised of accounts receivable, current liabilities and the bank loan. The fair values of these financial instruments approximate their carrying amounts due to the short term maturity of the instruments and the market rate of interest and foreign exchange applied to the bank loan.

All of the Company's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risk. The Company, from time to time, uses various types of financial instruments to reduce its exposure to fluctuating oil and natural gas prices, electricity costs, foreign exchange rates and interest rates. The use of these instruments exposes the Company to credit risks associated with the possible non-performance of counterparties to derivative instruments. The Company limits this risk by transacting only with financial institutions with high credit ratings and by obtaining security in certain circumstances. As at December 31, 2002, the Company had the following financial hedging positions outstanding:

	Notional Volume	Remaining Term	Pricing	Market value* of contracts at year end
Crude oil				
WTI Costless Collars	17,500 bbls/d	Jan/03 – Jun/03	US\$22.50 to US\$29.25/bbl	\$ (172)
Natural gas				
AECO Costless Collars	105,000 GJ/d	Jan/03 – Mar/03	\$4.00 to \$7.50/GJ	-
Electricity				
Alberta Power Pool Swaps	35 MW	2003	\$45.00 to \$60.95/MWh	48
Alberta Power Pool Swaps	35 MW	2004 – 2005	\$45.00 to \$50.00/MWh	(2,904)

* Unrealized gain (loss) based on posted rates for similar contracts at the balance sheet date.

8. Cash flows

Changes in non-cash working capital items increased (decreased) cash and cash equivalents as follows:

Years ended December 31,	2002	2001
Accounts receivable	\$ (57,526)	\$ 52,287
Other current assets	994	681
Accounts payable and accrued liabilities	62,220	(22,926)
Current income taxes payable	56,910	25,111
	\$ 62,598	\$ 55,153
Operating activities	\$ 39,654	\$ 39,297
Investing activities	22,872	16,075
Financing activities	72	(219)
	\$ 62,598	\$ 55,153

Amounts paid during the year related to interest expense and capital taxes were as follows:

Years ended December 31,	2002	2001
Interest paid	\$ 21,538	\$ 27,444
Capital and income taxes paid	\$ 32,216	\$ 5,962

Summary Information – Five Year Summary

Years ended December 31

	2002	2001	2000	1999	1998
Financial					
(\$000s, except per share amounts)					
Gross revenues	\$ 986,974	\$ 1,076,181	\$ 952,157	\$ 414,581	\$ 210,739
Cash flow	463,459	612,943	560,056	230,336	113,010
Basic per share	8.70	11.72	10.86	4.89	2.73
Diluted per share	8.48	11.36	10.46	4.73	2.65
Net income	158,440	245,104	222,499	78,013	32,588
Basic per share	2.98	4.69	4.31	1.66	0.79
Diluted per share	2.90	4.54	4.16	1.60	0.77
Capital expenditures	573,255	633,532	541,921	759,961	248,980
Total assets	2,792,420	2,396,365	2,001,121	1,506,784	793,457
Bank indebtedness	598,435	556,330	590,355	596,373	249,809
Shareholders' equity	\$ 1,293,021	\$ 1,114,069	\$ 854,612	\$ 635,275	\$ 392,445
Common shares outstanding at year end (000s):					
Basic	53,733	52,723	51,818	51,222	45,278
Basic plus options	58,738	58,109	56,945	55,551	48,614
Market value per common share – High	\$ 44.74	\$ 45.25	\$ 41.50	\$ 34.50	\$ 20.50
(\$/share) – Low	32.76	30.30	28.25	14.60	12.75
– Close	\$ 41.00	\$ 35.40	\$ 37.40	\$ 28.25	\$ 16.50
Operating					
Production					
Oil and liquids production (bbls/day)	44,033	38,884	32,462	20,779	13,958
Oil and liquids price (\$/bbl)	32.77	31.31	35.83	24.37	15.42
Natural gas production (mmcf/day)	332.7	330.3	306.2	245.1	184.0
Natural gas price (\$/mcf)	3.79	5.24	4.70	2.57	1.97
Reserves (proven and probable)					
Oil and liquids (mmbbls)	248.9	229.1	196.3	149.4	64.7
Natural gas (bcf)	1,012.7	1,071.4	1,078.8	994.0	772.0
Wells drilled (gross)					
Natural gas	209	274	228	139	105
Oil	112	118	129	44	23
Dry	44	61	48	27	28
Total wells drilled	365	453	405	210	156
Undeveloped land holdings					
Western Canada (000s of acres)					
Gross	4,402	3,672	3,030	2,583	2,027
Net	4,158	3,381	2,763	2,280	1,735
Average working interest (%)	94	92	91	88	86

Summary Information – Quarterly Financial Summary

Three months ended,	2002				2001			
	Mar 31	Jun 30	Sept 30	Dec 31	Mar 31	Jun 30	Sept 30	Dec 31
Financial								
(\$000s, except per share amounts)								
Gross revenues	\$ 194,923	\$ 233,416	\$ 240,493	\$ 318,142	\$ 365,717	\$ 296,553	\$ 226,061	\$ 187,850
Cash flow	94,515	115,881	100,192	152,871	226,201	179,668	129,909	77,165
Basic per share	1.79	2.18	1.87	2.86	4.35	3.44	2.47	1.46
Diluted per share	1.74	2.11	1.83	2.80	4.19	3.30	2.43	1.43
Net income	25,195	39,448	31,854	61,943	104,188	73,620	46,219	21,077
Basic per share	0.48	0.74	0.60	1.16	2.01	1.40	0.88	0.40
Diluted per share	\$ 0.46	\$ 0.72	\$ 0.58	\$ 1.14	\$ 1.95	\$ 1.35	\$ 0.86	\$ 0.39
Operating								
Oil and liquids production (bbls/day)	42,021	42,461	44,318	47,273	35,946	36,512	40,728	42,261
Oil and liquids price (\$/bbl)	27.62	31.98	35.22	35.66	35.21	33.91	33.64	23.58
Natural gas production (mmcf/day)	313.3	343.7	336.2	337.1	310.7	340.2	336.1	334.0
Natural gas price (\$/mcf)	3.21	3.51	3.13	5.26	9.01	5.94	3.23	3.13

Conversions of Units

Imperial	Metric
1 ton	0.907 tonnes
1.102 tons	1 tonne
1 acre	0.40 hectares
2.5 acres	1 hectare
1 bbl	0.159 cubic metres
6.29 bbls	1 cubic metre
1 mcf	28.2 cubic metres
.035 mcf	1 cubic metre
1 mile	1.61 kilometres
.62 miles	1 kilometre

Unless otherwise stated, all financial sums are stated in Canadian dollars.

Abbreviations

bbl	barrel (oil)
mmbbls	million barrels
bbls per day	barrels per day
boe	barrels of oil equivalent (based on 6 mcf of natural gas equals one barrel of oil)
mcf	thousand cubic feet (natural gas)
mmcf	million cubic feet
mmcf per day	million cubic feet per day
GJ	gigajoule
bcf	billion cubic feet
tcf	trillion cubic feet
API	American Petroleum Institute
TSX	Toronto Stock Exchange
WTI	West Texas Intermediate
MW	megawatt
MWh	megawatt-hour
mmbtu	million British thermal units

Our Employees

Penn West Petroleum Ltd.

Listed by Year of Joining the Company

'88

June McBride

'90

Penny Norem

'92

William Andrew

'93

Barry Chykerda
Dale Miller
Don Rae
Glen Petrie
Nina Ta Ho

'94

Alvin Miller
Ann Ingles
Barry Lyons
Barry Warnick
Bill Park
Bryan Clake
Carl Shantz
Charlene Jamieson
Dan Koch
Darrell Osinchuk
Eugene Dennis
Gerry Elms
Greg Lavergne
Greg Veer
John Klein
Kun Cheang
Leona Ballman
Merv Firkus
Muriel Harkness
Randolph Woods
Richard Drozda
Steven McDonald
Terry Haug

Terry Worthing
Todd Takeyasu
Tom Cookson
Tony Marchand
Wally Grab
Wayne Ruptash
Wayne McEachern

'95

Barry Clarkson
Carol Thompson
Carol Lupyczuk
Danielle Smith
Danny Nicolls
Dennis Maciborski
Dennis Stuart
Frank Walcer
Harvey Foss
Helen Wong
Janey Villiers
Jim Kluczny
Jim Rowan
Joy Stuckle
Kathy Rurak
Kristian Tange
Les Bailey
Magni Lake
Marge Baker
Mark Hardman
Michael Kluczny
Michael Powell
Randy Nelson
Robert Mischuk
Robert Letourneau
Susan Ponto
Wayne Brzus

'96

Alan Montgomery
Bill Moody
Brian Waddell
Clarke McLean
Danny Chow
Dave Brooks
Dean Herron

Don Cote
Gord Wichert
Greg Hodgson
Ken Pyo
Kevin MacInnes
Kimberley Toews
Len Granson
Liliana Faiman
Matt Mazuryk
Peter Wuntke
Tim Connolly
Tracy Goddard
Trevor Hein
Trevor Grover
Vincent Long
Wayne Laturnas

'97

Albert Lee
Bert Daly
Brian Reed
Clayton Gates
Coro Hanlen
David Meston
Dean Forrester
Donna Ward
Garnet Roysum
George Swerdan
Gregory Gabert
Iska Kolackovsky
Ivor Haluszka
Jack Hoffman
Kelly Batten
Marg Dunlop
Maureen Schrader
Rick Coates
Robert Sawyer
Shauna McIntosh
Steve Batch
Steve Beairsto

'98

Alan Kitagawa
Anne Thomson
Bettina Achmus

Bill Demers
Bill Lee
Brad Wilson
Bradley Vowk
Brent Mastre
Brian Reis
Cara Maciborski
Carl Vallieres
Corey Perry
Corrine Harder
Daniel Narkaus
Darrel Bird
Debra Herold
Donald Cosman
Doug Renschler
Gary Leblanc
Glen Richardson
Gordon Timm
Greg Nesom
Gregg Gegunde
Jim Greik
Joel Johnson
Len Cooper
Les Sinclair
Lynne Renschler
Mark Ruggles
Michael O'Connell
Michael Picard
Michelle Thoen
Norman Kalmanovitch
Robbie Thomson
Robert Grue
Roger Sullivan
Russ Gregg
Ryan Stevenson
Sharon Potter
Shayne Coward
Susan Dixon
Thane Jensen
Timothy Layton
Tony Lazzo
Yvonne Switzer

'99

Annick Paquet
Barbara Heemeryck

Bill Morgan
Brad Lonsdale
Brendan McGowan
Bruce O'Brien
Carl Bur
Carolyn Handy
Chris Doyle
Collin Doneff
Craig Berger
Daniel Sifert
Daniel Flick
Daniel Wirstiuk
Darcy Chambers*
David Dusterhoft
David Houston
David Hubschmid
David Middleton
Dean Sikorski
Devin Dixon
Donald Hayduk
Earl Nixon
Ed Erickson
Eleanor Spurell
Elona Zaslavsky
Eric Obreiter
Eric Vert
Fred Keith
Garrett Wilson
Gary Tkacik
Gina Pangia
Glenn Watt
Gloria Choy
Goran Mihaljevic
Gregg Dickson
Gregory Miller
Herb Sadek
Jim White
Jim Wilson
Jim Young
Jason Mevel
Jay Reeser
Jesse Barlow
John Davidson
Kevin Henry
Kevin Ledinski
Lana Penman
Lance Gibson

Laura Zhivov
Linda Beaton
Linda Mann
Lisa Twa
Lori Van Immerzeel
Lyndon Muth
Mark Loberg
Mark Otis
Mary Marsters
Murray Roth
Pamela Pakish
Patty Flick
Perry Zich
Peter McLelland
Phil Carpentier
Pierre Schaub
Rae-Lynne Mills
Randy McKenzie
Randy Pysar
Regan Daley
Richard Smith
Robert Maciborick
Robert Pratt
Robert Dumaine
Rod Kerby
Ruben Ehrmann
Sanjay Sharma
Scott Flynn
Sean Norgard
Sharlene Hopkins
Steve Burnell
Steven Metzger
Terry Mizen
Thomas Morton
Tony Colabella
Vernon Hoshizaki
Vivian Bredin
Wendy Ross
William Tang Kong

'00

Al Roy
Anne Higgins
Arthur Wong
Bill Arthur
Bill Rinehart
Billie Berry
Brian Campbell
Cindy Siska
Daniel Radke

Derek Loomer
Don Larson
Edwina Seath
Garnet Callison
Gordon Howe
Harlan Reiter
Helmut Eckert
Jaydee Kemsley
Jim Kesegic
John Alexander
Katrina Baylon
Kirk Sortland
Lisa Le
Lisa Yee
Marg Johnston
Michelle Sadowinski
Nhi Lam
Rachana Chuong
Rick Simmons
Roger Fontaine
Silas Ehlers
Steve Vincent
Tara Cybulsky
Terry O'How
Thanh Luu
Trent Pelley
Trevor Dufresne
Trevor Popkes
Wayne Wasmann

'01

Agostino Pezzente
Alan Martens
Andrea Strecker
Andrea Draper
Brenda Simpson
Brett Thompson
Brian Webb
Bruce Tweedle
Charlene Hyndman
Christine Hassman
Cory Cavener
Craig Simmers
Crystal Jardine
Dale Gibb
Dali Kukec
Darlene McLaughlin
David Shklanka
Dean Rogers
Deepak Saini

Dennis Taylor
Derek Germann
Diana Sheprak
Douglas Townsend
Emily Wu
Erwin Unger
Gloria Greenstein
John Scharrer
Josephine Grant
Kari Wilson
Kathy Leong
Kay Robinson
Kenneth Bills
Kenneth Sayers
Lars Depauw
Leo Rossetto
Lori McKenna
Mark Miller
Michael Bell
Michelle Wortley
Minty Gill
Morley Birnie-Browne
Norman Trelford
Paula Perry
Ray Abt
Ronald Matchett
Sharon Baker
Sherry Koftinoff
Shimpei Ito
Stephen Ursulescu
Tanya Tomlinson
Terry Lesmeister
Tracey Copeland
Wade Larson
Wayne Kashuba

'02

Adam Macisaac
Anton Esterhuizen
Bassey Udoh
Bob Pilz
Brett Frostad
Bruce Cross
Chris Kirwan
Colleen Cornish
Craig Sawyer
Crystal Hall
Cyril Kelly
Dan Tall
Daniel Skitch

Dave Thomson
David Yedon
David Wilkinson
Dereck Larsen
Drew Lane
Gale Martin
Garrett Grant
Gary Ross
Gary Smart
Geng Yan
Geoffrey Papero
Grant Pickrell
Helga Harlander
Imelda Martin
James Bell
Jim Nishida
Jason Hutchins
Jeffary Chung
Jeffrey Yarnold
Jennifer Wayne
Jessica Podwysocki
John Felker
John Van Nieuwerkerk
John Lambie
John Littke
Justin McDonald
Karen Meakin
Kevin Murphy
Kevin Keenan
Kristen Kuvaja
Kristine Arthur
Lars Larsen
Leighton Jones
Lisa Swaile
Marina Entin
Mark Stevens
Mark Klink
Matt Macquarrie
Maurice Bourgeois
Minh Ma
Minoo Eshraghi
Paula Bica
Randy Danaïs
Rebecca Magiera
Renee Emond
Rod Jamieson
Rosie David
Shannon Grant
Shawn Bennett
Stan Sware
Sylvia Chan

Tammie Cretney
Telann Erickson
Terry Lueken
Trevor Jones
Tricia Lewis
Wayne Koble

'03

Bradley Dyck
Brent Kissick
Brett Sautner
Christopher Keenan
Cory Picklyk
David Michaelis
David Morrison
Deanna Barrell
Ellen Smith
Harold Bellerose
John Lanaras
Justine Gill
Kevin Loehndorf
Kevin Titanich
Kevin Bachman
Lynne Burgess
Michael Szwec
Ninette Elashry
Noe Damian
Patrick Shave
Sean Zunti
Wendy Walker
William Lawson

** On March 20, 2003, Darcy Chambers lost his life in an avalanche while snowmobiling in Alberta's backcountry. Our thoughts are with Darcy's family and his many friends.*

Officers

N. Murray Edwards
Chairman

William E. Andrew
President

Donald J. Rae
Senior Vice President, Exploration

Bryan D. Clake
Vice President, Marketing

Gerry J. Elms
Vice President, Finance and
Corporate Secretary

David W. Middleton
Vice President, Production

Dale A. Miller
Vice President,
Engineering and Operations

Gordon Timm
Vice President,
Land and Regulatory Affairs

Directors

William E. Andrew⁽²⁾
Calgary, Alberta

John A. Brussa⁽¹⁾⁽⁴⁾⁽⁵⁾
Calgary, Alberta

N. Murray Edwards⁽²⁾⁽³⁾⁽⁵⁾
Calgary, Alberta

Nabih A. Faris⁽¹⁾⁽³⁾⁽⁴⁾⁽⁵⁾
West Vancouver, B.C.

Thomas E. Phillips⁽⁴⁾
Calgary, Alberta

Denis L. Russell⁽¹⁾
West Vancouver, B.C.

Notes:

- (1) Member of the Audit Committee
- (2) Member of the Executive Committee
- (3) Member of the Compensation Committee
- (4) Member of the Reserve Committee
- (5) Member of the Corporate Governance Committee

Legal Counsel

Burnet, Duckworth & Palmer
Calgary, Alberta

Thackray Burgess
Calgary, Alberta

Bennett Jones
Calgary, Alberta

Bankers

Canadian Imperial Bank of Commerce
Royal Bank of Canada
The Bank of Nova Scotia
Bank of Montreal
The Toronto-Dominion Bank
Bank of Tokyo-Mitsubishi (Canada)
Alberta Treasury Branches

Transfer Agent

CIBC Mellon Trust Company
Calgary, Alberta

Investors are encouraged to contact
The CIBC Mellon Trust Company for
information regarding their security
holdings. They can be reached at:

CIBC Mellon Trust Company:
(416) 643-5000 or toll-free throughout
North America at 1-800-387-0825
e-mail: inquiries@cibcmellon.ca
Website: www.cibcmellon.ca

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KPMG LLP
Calgary, Alberta

Stock Exchange Listing

Toronto Stock Exchange
Trading Symbol: PWT

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This document contains certain information that may constitute forward-looking statements under applicable securities laws. These statements are subject to known risks and uncertainties that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements.

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